UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2019

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-06714

GRAHAM HOLDINGS COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**53-0182885**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1300 North 17th Street , Arlington , Virginia	**22209**
(Address of principal executive offices)	**(Zip Code)**

(703) 345-6300

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value $1.00 per share	GHC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒. No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐. No ☒.

Shares outstanding at October 25, 2019:

Class A Common Stock – 964,001 Shares
Class B Common Stock – 4,350,385 Shares

GRAHAM HOLDINGS COMPANY

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GRAHAM HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands, except per share amounts)	**2019**	2018	**2019**	2018
Operating Revenues	**$ 738,820**	$ 674,766	**$ 2,168,621**	$ 2,006,879
Operating Costs and Expenses				
Operating	**517,935**	448,920	**1,498,928**	1,254,726
Selling, general and administrative	**175,322**	131,081	**472,124**	497,504
Depreciation of property, plant and equipment	**15,351**	13,648	**42,758**	41,909
Amortization of intangible assets	**13,572**	12,269	**39,512**	34,052
Impairment of long-lived assets	**372**	8,109	**1,065**	8,109
	722,552	614,027	**2,054,387**	1,836,300
Income from Operations	**16,268**	60,739	**114,234**	170,579
Equity in earnings of affiliates, net	**4,683**	9,537	**7,829**	13,047
Interest income	**1,474**	611	**4,753**	3,884
Interest expense	**(6,776)**	(6,135)	**(22,587)**	(31,371)
Debt extinguishment costs	**—**	—	**—**	(11,378)
Non-operating pension and postretirement benefit income, net	**19,556**	22,214	**51,737**	66,641
Gain on marketable equity securities, net	**17,404**	44,962	**49,261**	28,306
Other income, net	**5,556**	3,142	**36,135**	14,662
Income Before Income Taxes	**58,165**	135,070	**241,362**	254,370
Provision for Income Taxes	**15,200**	10,000	**59,500**	39,700
Net Income	**42,965**	125,070	**181,862**	214,670
Net Loss (Income) Attributable to Noncontrolling Interests	**180**	(6)	**112**	(149)
Net Income Attributable to Graham Holdings Company Common Stockholders	**$ 43,145**	$ 125,064	**$ 181,974**	$ 214,521
Per Share Information Attributable to Graham Holdings Company Common Stockholders				
Basic net income per common share	**$ 8.12**	$ 23.43	**$ 34.24**	$ 39.81
Basic average number of common shares outstanding	**5,285**	5,302	**5,285**	5,354
Diluted net income per common share	**$ 8.05**	$ 23.28	**$ 33.96**	$ 39.54
Diluted average number of common shares outstanding	**5,329**	5,337	**5,328**	5,390

See accompanying Notes to Condensed Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Net Income	**$ 42,965**	$ 125,070	**$ 181,862**	$ 214,670
Other Comprehensive Loss, Before Tax				
Foreign currency translation adjustments:				
Translation adjustments arising during the period	**(16,684)**	(2,844)	**(17,755)**	(22,447)
Pension and other postretirement plans:				
Amortization of net prior service (credit) cost included in net income	**(932)**	69	**(3,210)**	215
Amortization of net actuarial gain included in net income	**(511)**	(3,295)	**(1,534)**	(7,956)
	(1,443)	(3,226)	**(4,744)**	(7,741)
Cash flow hedges (loss) gain	**(477)**	(6)	**(904)**	601
Other Comprehensive Loss, Before Tax	**(18,604)**	(6,076)	**(23,403)**	(29,587)
Income tax benefit related to items of other comprehensive loss	**518**	874	**1,512**	1,976
Other Comprehensive Loss, Net of Tax	**(18,086)**	(5,202)	**(21,891)**	(27,611)
Comprehensive Income	**24,879**	119,868	**159,971**	187,059
Comprehensive loss (income) attributable to noncontrolling interests	**180**	(6)	**112**	(149)
Total Comprehensive Income Attributable to Graham Holdings Company	**$ 25,059**	$ 119,862	**$ 160,083**	$ 186,910

See accompanying Notes to Condensed Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	As of September 30, 2019 (Unaudited)	As of December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	**$ 142,264**	$ 253,256
Restricted cash	**15,143**	10,859
Investments in marketable equity securities and other investments	**554,211**	514,581
Accounts receivable, net	**612,141**	582,280
Income taxes receivable	**9,440**	19,166
Inventories and contracts in progress	**113,196**	69,477
Other current assets	**87,863**	82,723
Total Current Assets	**1,534,258**	1,532,342
Property, Plant and Equipment, Net	**370,882**	293,085
Lease Right-of-Use Assets	**503,830**	—
Investments in Affiliates	**163,986**	143,813
Goodwill, Net	**1,345,393**	1,297,712
Indefinite-Lived Intangible Assets	**144,477**	99,052
Amortized Intangible Assets, Net	**245,393**	263,261
Prepaid Pension Cost	**1,038,676**	1,003,558
Deferred Income Taxes	**11,400**	13,388
Deferred Charges and Other Assets	**129,451**	117,830
Total Assets	**$ 5,487,746**	$ 4,764,041
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 477,522**	$ 486,578
Deferred revenue	**337,573**	308,728
Income taxes payable	**6,668**	10,496
Current portion of lease liabilities	**78,114**	—
Current portion of long-term debt	**81,697**	6,360
Dividends declared	**7,387**	—
Total Current Liabilities	**988,961**	812,162
Accrued Compensation and Related Benefits	**177,116**	179,652
Other Liabilities	**27,398**	57,901
Deferred Income Taxes	**348,054**	322,421
Lease Liabilities	**462,868**	—
Long-Term Debt	**420,535**	470,777
Total Liabilities	**2,424,932**	1,842,913
Redeemable Noncontrolling Interest	**3,903**	4,346
Preferred Stock	**—**	—
Common Stockholders' Equity		
Common stock	**20,000**	20,000
Capital in excess of par value	**379,923**	378,837
Retained earnings	**6,388,546**	6,236,125
Accumulated other comprehensive income, net of tax		
Cumulative foreign currency translation adjustment	**(47,025)**	(29,270)
Unrealized gain on pensions and other postretirement plans	**229,373**	232,836
Cash flow hedges	**(410)**	263
Cost of Class B common stock held in treasury	**(3,918,397)**	(3,922,009)
Total Common Stockholders' Equity	**3,052,010**	2,916,782
Noncontrolling Interest	**6,901**	—
Total Equity	**3,058,911**	2,916,782
Total Liabilities and Equity	**$ 5,487,746**	$ 4,764,041

See accompanying Notes to Condensed Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30	
(in thousands)	**2019**	2018
Cash Flows from Operating Activities		
Net Income	**$ 181,862**	$ 214,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and impairment of long-lived assets	**83,335**	84,070
Amortization of lease right-of-use asset	**61,797**	—
Net pension benefit and special separation benefit expense	**(33,061)**	(55,458)
Gain on marketable equity securities and cost method investments, net	**(54,341)**	(36,793)
Gain on disposition of businesses, property, plant and equipment and investments, net	**(28,871)**	(13,379)
Provision for doubtful trade and other receivables	**21,532**	7,858
Debt extinguishment costs	**—**	10,563
Stock-based compensation expense, net	**4,752**	5,172
Foreign exchange (gain) loss	**(1,284)**	2,205
Write-down of cost method investments	**—**	2,500
Equity in earnings of affiliates, net of distributions	**(3,882)**	(10,294)
Provision (benefit) for deferred income taxes	**26,310**	(10,867)
Change in operating assets and liabilities:		
Accounts receivable, net	**(47,308)**	47,342
Inventories	**(11,969)**	(10,913)
Accounts payable and accrued liabilities	**(60,708)**	(95,100)
Deferred revenue	**24,920**	38,148
Income taxes receivable	**5,526**	23,073
Other assets and other liabilities, net	**(96,913)**	(12,844)
Other	**587**	1,905
Net Cash Provided by Operating Activities	**72,284**	191,858
Cash Flows from Investing Activities		
Investments in certain businesses, net of cash acquired	**(162,060)**	(111,451)
Purchases of property, plant and equipment	**(75,712)**	(58,850)
Net proceeds (payments) from disposition of businesses, property, plant and equipment and investments	**53,785**	(13,483)
Investments in equity affiliates, cost method and other investments	**(25,836)**	(10,679)
Proceeds from sales of marketable equity securities	**17,586**	66,741
Purchases of marketable equity securities	**(7,499)**	—
Loan to related party and advance related to Kaplan University transaction	**(3,500)**	(28,061)
Return of investment in equity affiliates	**786**	4,521
Net Cash Used in Investing Activities	**(202,450)**	(151,262)
Cash Flows from Financing Activities		
Common shares repurchased	**—**	(110,848)
Issuance of borrowings	**30,000**	400,000
Net borrowing under revolving credit facility	**5,000**	—
Net proceeds from vehicle floor plan payable	**15,106**	—
Dividends paid	**(22,167)**	(21,564)
Issuance of noncontrolling interest	**6,536**	—
Purchase of noncontrolling interest	**(550)**	(16,500)
Repayments of borrowings and early redemption premium	**(7,901)**	(417,112)
Payments of debt financing costs	**(33)**	(6,490)
Other	**(356)**	5,303
Net Cash Provided by (Used in) Financing Activities	**25,635**	(167,211)
Effect of Currency Exchange Rate Change	**(2,177)**	(4,216)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	**(106,708)**	(130,831)
Beginning Cash and Cash Equivalents and Restricted Cash	**264,115**	407,566
Ending Cash and Cash Equivalents and Restricted Cash	**$ 157,407**	$ 276,735

See accompanying Notes to Condensed Consolidated Financial Statements.

GRAHAM HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
As of December 31, 2018	**$ 20,000**	**$ 378,837**	**$ 6,236,125**	**$ 203,829**	**$ (3,922,009)**	**$ —**	**$ 2,916,782**	**$ 4,346**
Net income for the period			81,702				81,702	
Issuance of noncontrolling interest						6,000	6,000	
Net loss attributable to noncontrolling interest			62			(62)	—	
Net income attributable to redeemable noncontrolling interests			(16)				(16)	16
Change in redemption value of redeemable noncontrolling interests		(54)					(54)	54
Dividends on common stock			(14,779)				(14,779)	
Issuance of Class B common stock, net of restricted stock award forfeitures		(3,783)			3,755		(28)	
Amortization of unearned stock compensation and stock option expense		1,639					1,639	
Other comprehensive income, net of income taxes				8,290			8,290	
Purchase of redeemable noncontrolling interest							—	(550)
As of March 31, 2019	**$ 20,000**	**$ 376,639**	**$ 6,303,094**	**$ 212,119**	**$ (3,918,254)**	**$ 5,938**	**$ 2,999,536**	**$ 3,866**
Net income for the period			57,195				57,195	
Net income attributable to noncontrolling interest			(104)			104	—	
Net income attributable to redeemable noncontrolling interests			(10)				(10)	10
Dividends on common stock			(7,388)				(7,388)	
Amortization of unearned stock compensation and stock option expense		1,616					1,616	
Other comprehensive loss, net of income taxes				(12,095)			(12,095)	
As of June 30, 2019	**$ 20,000**	**$ 378,255**	**$ 6,352,787**	**$ 200,024**	**$ (3,918,254)**	**$ 6,042**	**$ 3,038,854**	**$ 3,876**
Net income for the period			**42,965**				**42,965**	
Issuance of noncontrolling interest						**536**	**536**	
Net loss attributable to noncontrolling interest			**207**			**(207)**	**—**	
Acquisition of noncontrolling interest						**530**	**530**	
Net income attributable to redeemable noncontrolling interests			**(27)**				**(27)**	**27**
Dividends on common stock			**(7,386)**				**(7,386)**	
Issuance of Class B common stock, net of restricted stock award forfeitures		**(1)**			**(143)**		**(144)**	
Amortization of unearned stock compensation and stock option expense		**1,669**					**1,669**	
Other comprehensive loss, net of income taxes				**(18,086)**			**(18,086)**	
As of September 30, 2019	**$ 20,000**	**$ 379,923**	**$ 6,388,546**	**$ 181,938**	**$ (3,918,397)**	**$ 6,901**	**$ 3,058,911**	**$ 3,903**

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
As of December 31, 2017	**$ 20,000**	**$ 370,700**	**$ 5,791,724**	**$ 535,555**	**$ (3,802,834)**	**$ —**	**$ 2,915,145**	**$ 4,607**
Net income for the period			42,965				42,965	
Net income attributable to redeemable noncontrolling interests			(73)				(73)	73
Dividends on common stock			(14,638)				(14,638)	
Repurchase of Class B common stock					(79,001)		(79,001)	
Issuance of Class B common stock, net of restricted stock award forfeitures		(189)			119		(70)	
Amortization of unearned stock compensation and stock option expense		2,325					2,325	
Other comprehensive income, net of income taxes				10,812			10,812	
Cumulative effect of accounting change			201,812	(194,889)			6,923	
As of March 31, 2018	**$ 20,000**	**$ 372,836**	**$ 6,021,790**	**$ 351,478**	**$ (3,881,716)**	**$ —**	**$ 2,884,388**	**$ 4,680**
Net income for the period			46,635				46,635	
Net income attributable to redeemable noncontrolling interests			(70)				(70)	70
Dividends on common stock			(6,949)				(6,949)	
Repurchase of Class B common stock					(15,091)		(15,091)	
Issuance of Class B common stock, net of restricted stock award forfeitures		(496)			(494)		(990)	
Amortization of unearned stock compensation and stock option expense		2,162					2,162	
Other comprehensive loss, net of income taxes				(33,221)			(33,221)	
As of June 30, 2018	**$ 20,000**	**$ 374,502**	**$ 6,061,406**	**$ 318,257**	**$ (3,897,301)**	**$ —**	**$ 2,876,864**	**$ 4,750**
Net income for the period			125,070				125,070	
Net income attributable to redeemable noncontrolling interests			(6)				(6)	6
Dividends on common stock			(7,048)				(7,048)	
Repurchase of Class B common stock					(16,757)		(16,757)	
Issuance of Class B common stock, net of restricted stock award forfeitures		(27)					(27)	
Amortization of unearned stock compensation and stock option expense		1,937					1,937	
Other comprehensive loss, net of income taxes				(5,202)			(5,202)	
Other							—	(50)
As of September 30, 2018	**$ 20,000**	**$ 376,412**	**$ 6,179,422**	**$ 313,055**	**$ (3,914,058)**	**$ —**	**$ 2,974,831**	**$ 4,706**

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION, BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

Graham Holdings Company (the Company), is a diversified education and media company. The Company's Kaplan subsidiary provides a wide variety of educational services, both domestically and outside the United States. The Company's media operations comprise the ownership and operation of seven television broadcasting stations, several websites and print publications, and a marketing solutions provider. The Company's other business operations include manufacturing, automotive dealerships, restaurants and entertainment venues and home health and hospice services.

Basis of Presentation – The accompanying condensed consolidated financial statements have been prepared in accordance with: (i) generally accepted accounting principles in the United States of America (GAAP) for interim financial information; (ii) the instructions to Form 10-Q; and (iii) the guidance of Rule 10-01 of Regulation S-X under the Securities and Exchange Act of 1934, as amended, for financial statements required to be filed with the Securities and Exchange Commission (SEC). They include the assets, liabilities, results of operations and cash flows of the Company, including its domestic and foreign subsidiaries that are more than 50% owned or otherwise controlled by the Company. As permitted under such rules, certain notes and other financial information normally required by GAAP have been condensed or omitted. Management believes the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position, results of operations, and cash flows as of and for the periods presented herein. The Company's results of operations for the three and nine months ended September 30, 2019 and 2018 may not be indicative of the Company's future results. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Use of Estimates in the Preparation of the Condensed Consolidated Financial Statements – The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported herein. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates.

Recently Adopted and Issued Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on its balance sheet, regardless of classification of a lease as operating or financing. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities and account for the lease similar to previous guidance for operating leases. This new guidance supersedes all prior guidance. The guidance is effective for interim and fiscal years beginning after December 15, 2018. The standard provides two methods of adoption under the modified retrospective approach. Under the comparative date method, lessees and lessors are required to recognize and measure leases as of the beginning of the earliest period presented. Under the effective date method, lessees and lessors are required to recognize and measure leases as of the period of adoption. The Company adopted the new guidance on January 1, 2019 using the effective date method.

The Company elected the available package of transition practical expedients, which allowed the Company to use its historical assessments of whether contracts are or contain leases, lease classification and initial direct costs. Additionally, the Company elected the transition practical expedient to use hindsight to determine the lease term. Upon adoption of the new guidance, the Company recognized right-of-use assets of $369.3 million and lease liabilities of $418.3 million.

The cumulative effect of the changes to the Company's Condensed Consolidated Balance Sheets as a result of adopting the new guidance was as follows:

	Balance as of December 31, 2018	Adjustments	Balance as of January 1, 2019
Assets			
Other current assets	$ 82,723	$ (5,595)	$ 77,128
Lease Right-of-Use Assets	—	369,333	369,333
Liabilities			
Accounts payable and accrued liabilities	$ 486,578	$ (14,029)	$ 472,549
Current portion of lease liabilities	—	86,747	86,747
Other Liabilities	57,901	(40,500)	17,401
Lease Liabilities	—	331,520	331,520

2. ACQUISITIONS AND DISPOSITIONS OF BUSINESSES

Acquisitions. In the first nine months of 2019, the Company acquired seven businesses; one in education, two in healthcare, one in manufacturing, and three in other businesses for $191.6 million in cash and contingent consideration and the assumption of $25.8 million in floor plan payables.

On January 31, 2019, the Company acquired an interest in two automotive dealerships for cash and the assumption of floor plan payables (see Note 5). In connection with the acquisition, the automotive subsidiary of the Company borrowed $30 million to finance the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum (see Note 8). The Company has a 90% interest in the automotive subsidiary. The Company also entered into a management services agreement with an entity affiliated with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships. Mr. Ourisman and his team will operate and manage the dealerships. In addition, the Company advanced $3.5 million to the minority shareholder, an entity controlled by Mr. Ourisman, at an interest rate of 6% per annum. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In July 2019, Graham Healthcare Group (GHG) acquired an interest in a small business which is expected to provide certain strategic benefits in the future and is included in healthcare. On July 11, 2019, Kaplan acquired Heverald, the owner of ESL Education, Europe's largest language-travel agency and Alpadia, a chain of German and French language schools and junior summer camps. The acquisition is expected to provide synergies within Kaplan's International English business and is included in its international division.

On July 31, 2019, the Company announced the closing of its acquisition of Clyde's Restaurant Group (CRG). CRG owns and operates 13 restaurants and entertainment venues in the Washington, DC metropolitan area, including Old Ebbitt Grill and The Hamilton, two of the top 20 highest grossing independent restaurants in the United States. CRG is managed by its existing management team as a wholly-owned subsidiary of the Company. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In September 2019, Joyce/Dayton Corp. acquired the assets of a small business. The acquisition is expected to complement current product offerings and is included in manufacturing.

During 2018, the Company acquired eight businesses, five in education, one in manufacturing, one in healthcare, and one in SocialCode for $121.1 million in cash and contingent consideration. The assets and liabilities of the companies acquired were recorded at their estimated fair values at the date of acquisition.

In January and February 2018, Kaplan acquired the assets of i-Human Patients, Inc., a provider of cloud-based, interactive patient encounter simulations for medical and nursing professionals and educators, and another small business in test preparation and international, respectively. These acquisitions are expected to provide strategic benefits in the future.

In May 2018, Kaplan acquired a 100% interest in Professional Publications, Inc. (PPI), an independent publisher of professional licensing exam review materials and engineering, surveying, architecture, and interior design licensure exam review, by purchasing all of its issued and outstanding shares. This acquisition is expected to provide certain strategic benefits in the future. This acquisition is included in Professional (U.S.).

On July 12, 2018, Kaplan acquired 100% of the issued and outstanding shares of the College for Financial Planning (CFFP), a provider of financial education and training to individuals pursuing the Certified Financial Planner

certification, a Master of Science in Personal Financial Planning, or a Master of Science in Finance. The acquisition is expected to expand Kaplan's financial education product offerings and is included in Professional (U.S.).

On July 31, 2018, Dekko acquired 100% of the issued and outstanding shares of Furnlite, Inc., a Fallston, NC-based manufacturer of power and data solutions for the hospitality and residential furniture industries. Dekko's primary reasons for the acquisition are to complement existing product offerings and to provide potential synergies across the businesses. The acquisition is included in manufacturing.

In August 2018, SocialCode acquired 100% of the membership interests of Marketplace Strategy (MPS), a Cleveland-based digital marketing agency that provides strategy consulting, optimization services, advertising management and creative solutions on online marketplaces including Amazon. SocialCode's primary reason for the acquisition is to expand its platform offerings.

In September 2018, GHG acquired the assets of a small business and Kaplan acquired the test preparation and study guide assets of Barron's Educational Series, a New York-based education publishing company. The acquisitions are expected to complement the healthcare and test preparation services currently offered by GHG and Kaplan, respectively. GHG is included in the healthcare division. The Barron's Educational Series acquisition is included in test preparation.

Acquisition-related costs for acquisitions that closed during the first nine months of 2019 were $2.3 million and were expensed as incurred. Acquisition-related costs for acquisitions that closed during the first nine months of 2018 were $1.2 million and were expensed as incurred. The aggregate purchase price of the 2019 and 2018 acquisitions was allocated as follows (2019 on a preliminary basis), based on acquisition date fair values to the following assets and liabilities:

	Purchase Price Allocation	
(in thousands)	**Nine Months Ended September 30, 2019**	**Year Ended December 31, 2018**
Accounts receivable	**$ 4,697**	$ 2,344
Inventory	**31,750**	1,268
Property, plant and equipment	**52,577**	1,518
Lease Right-of-Use Assets	**100,933**	—
Goodwill	**63,387**	41,840
Indefinite-lived intangible assets	**46,900**	—
Amortized intangible assets	**21,291**	78,427
Other assets	**8,352**	5,198
Floor plan payables	**(25,755)**	—
Other liabilities	**(38,828)**	(7,678)
Deferred income taxes	**(2,191)**	(4,900)
Current and noncurrent lease liabilities	**(97,996)**	—
Noncontrolling interest	**(530)**	—
Aggregate purchase price, net of cash acquired	**$ 164,587**	$ 118,017

The 2019 fair values recorded were based upon preliminary valuations and the estimates and assumptions used in such valuations are subject to change within the measurement period (up to one year from the acquisition date). The recording of deferred tax assets or liabilities, working capital and the final amount of residual goodwill and other intangibles are not yet finalized. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill recorded due to these acquisitions is attributable to the assembled workforces of the acquired companies and expected synergies. The Company expects to deduct $49.0 million and $32.3 million of goodwill for income tax purposes for the acquisitions completed in 2019, and 2018, respectively.

The acquired companies were consolidated into the Company's financial statements starting on their respective acquisition dates. The Company's Condensed Consolidated Statements of Operations include aggregate revenues and operating losses for the companies acquired in 2019 of $96.2 million and $2.0 million, respectively, for the third quarter of 2019. The Company's Condensed Consolidated Statements of Operations include aggregate revenues and operating losses of $199.6 million and $0.5 million, respectively, for the first nine months of 2019. The following unaudited pro forma financial information presents the Company's results as if the current year acquisitions had occurred at the beginning of 2018. The unaudited pro forma information also includes the 2018 acquisitions as if they occurred at the beginning of 2017:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Operating revenues	**$ 750,076**	$ 787,808	**$ 2,267,502**	$ 2,349,342
Net income	**43,849**	125,761	**178,551**	217,589

These pro forma results were based on estimates and assumptions, which the Company believes are reasonable, and include the historical results of operations of the acquired companies and adjustments for depreciation and amortization of identified assets and the effect of pre-acquisition transaction related expenses incurred by the Company and the acquired entities. The pro forma information does not include efficiencies, cost reductions and synergies expected to result from the acquisitions. They are not the results that would have been realized had these entities been part of the Company during the periods presented and are not necessarily indicative of the Company's consolidated results of operations in future periods.

Kaplan University Transaction. On March 22, 2018, the Company closed on the Kaplan University (KU) transaction and recorded a pre-tax gain of $4.3 million in the first quarter of 2018. For financial reporting purposes, Kaplan may receive payment of additional consideration related to the sale of the institutional assets as part of its fee to the extent there are sufficient revenues available after paying all amounts required by the Transition and Operations Support Agreement (TOSA). The Company did not recognize any contingent consideration as part of the initial disposition. The Company recorded a $0.5 million contingent consideration gain in each of the three months ended September 30, 2019 and September 30, 2018. In the nine months ended September 30, 2019 and September 30, 2018, the Company recorded a $0.9 million and $1.9 million contingent consideration gain, respectively.

The revenue and operating income related to the KU business disposed of are as follows:

(in thousands)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue	$ —	$ 91,526
Operating income	—	213

Sale of Businesses. In February 2018, Kaplan completed the sale of a small business which was included in Test Preparation. In September 2018, Kaplan Australia completed the sale of a small business which was included in Kaplan International. As a result of these sales, the Company reported gains in other non-operating income (see Note 13).

Other Transactions. In March 2019, a Hoover minority shareholder put some of his shares to the Company, which had a redemption value of $0.6 million. Following the redemption, the Company owns 98.01% of Hoover. In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG. The mandatorily redeemable noncontrolling interest was redeemed and paid in July 2018.

3. INVESTMENTS

Money Market Investments. As of September 30, 2019, the Company had no money market investments, compared to $75.5 million at December 31, 2018, that are classified as cash and cash equivalents in the Company's Condensed Consolidated Balance Sheets.

Investments in Marketable Equity Securities. Investments in marketable equity securities consist of the following:

(in thousands)	As of September 30, 2019	As of December 31, 2018
Total cost	**$ 282,349**	$ 282,563
Gross unrealized gains	**253,215**	216,111
Gross unrealized losses	**—**	(2,284)
Total Fair Value	**$ 535,564**	$ 496,390

The Company purchased $7.5 million of marketable equity securities during the first nine months of 2019. There were no purchases of marketable equity securities during the first nine months of 2018.

During the first nine months of 2019, the gross cumulative realized gains from the sales of marketable equity securities were $9.6 million. The total proceeds from such sales were $17.6 million. During the first nine months of 2018, the gross cumulative realized gains from the sales of marketable equity securities were $37.3 million. The total proceeds from such sales were $66.7 million.

The gain on marketable equity securities comprised the following:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	2019	2018	2019	2018
Gain on marketable equity securities, net	**$ 17,404**	$ 44,962	**$ 49,261**	$ 28,306
Less: Net losses (gains) in earnings from marketable equity securities sold and donated	**61**	—	**(2,919)**	4,271
Net unrealized gains in earnings from marketable equity securities still held at the end of the period	**$ 17,465**	$ 44,962	**$ 46,342**	$ 32,577

Investments in Affiliates. As of September 30, 2019, the Company held an approximate 11% interest in Intersection Holdings, LLC, and in several other affiliates; GHG held a 40% interest in Residential Home Health Illinois, a 42.5% interest in Residential Hospice Illinois, a 40% interest in the joint venture formed between GHG and a Michigan hospital, and a 40% interest in the joint venture formed between GHG and Allegheny Health Network (AHN). For the three and nine months ended September 30, 2019, the Company recorded $2.4 million and $7.0 million, respectively in revenue for services provided to the affiliates of GHG. For the three and nine months ended September 30, 2018, the Company recorded $2.5 million and $9.5 million, respectively, in revenue for services provided to the affiliates of GHG. In the third quarter of 2018, the Company recorded $7.9 million in gains in equity in earnings of affiliates related to two of its investments.

In the second quarter of 2019, the Company made an investment in Framebridge, a custom framing service company based in Washington, DC. The Company accounts for this investment under the equity method, and included it in Investments in Affiliates on the Condensed Consolidated Balance Sheet. Timothy J. O'Shaughnessy, President and Chief Executive Officer of Graham Holdings Company, is a personal investor in Framebridge and serves as Chairman of the Board.

In February 2019, the Company sold its interest in Gimlet Media. In connection with this sale, the Company recorded a gain of $29.0 million in the first quarter of 2019. The total proceeds from the sale were $33.5 million.

Additionally, Kaplan International Holdings Limited (KIHL) held a 45% interest in a joint venture formed with York University. KIHL agreed to loan the joint venture £25 million, of which £16 million was advanced as of December 31, 2017. In the second quarter of 2018, KIHL advanced a final amount of £6 million in additional funding to the joint venture under this agreement, bringing the total amount advanced to £22 million. The loan is repayable over 25 years at an interest rate of 7% and the loan is guaranteed by the University of York.

Cost Method Investments. The Company held investments without readily determinable fair values in a number of equity securities that are accounted for as cost method investments, which are recorded at cost, less impairment, and adjusted for observable price changes for identical or similar investments of the same issuer. The carrying value of these investments was $38.5 million and $30.6 million as of September 30, 2019 and December 31, 2018, respectively. During the three and nine months ended September 30, 2019, the Company recorded gains of $3.7 million and $5.1 million, respectively, to those equity securities based on observable transactions. During the three and nine months ended September 30, 2018, the Company recorded gains of $8.5 million to those equity securities based on observable transactions and an impairment loss of $2.5 million .

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

(in thousands)	As of September 30, 2019	As of December 31, 2018
Receivables from contracts with customers, less doubtful accounts of $13,060 and $14,775	**$ 582,944**	$ 538,021
Other receivables	**29,197**	44,259
	$ 612,141	$ 582,280

Bad debt expense was $0.4 million and $1.8 million for the three months ended September 30, 2019 and 2018, respectively; and $0.5 million and $7.9 million for the nine months ended September 30, 2019 and 2018, respectively.

5. INVENTORIES, CONTRACTS IN PROGRESS AND VEHICLE FLOOR PLAN PAYABLE

Inventories and contracts in progress consist of the following:

(in thousands)	As of September 30, 2019	As of December 31, 2018
Raw materials	**$ 35,776**	$ 37,248
Work-in-process	**11,176**	11,633
Finished goods	**62,451**	17,861
Contracts in progress	**3,793**	2,735
	$ 113,196	$ 69,477

The Company finances all new vehicle inventory through a standardized floor plan facility (the “floor plan facility”) with SunTrust Bank. The new vehicle floor plan facility bears interest at variable rates that are based on LIBOR plus 1.15% per annum. The weighted average interest rate for the floor plan facility was 3.4% for both the three and nine months ended September 30, 2019. As of September 30, 2019, the aggregate capacity under the floor plan facility was $50 million, of which $40.9 million had been utilized, and is included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet. Changes in the vehicle floor plan payable are reported as cash flows from financing activities in the Condensed Consolidated Statements of Cash Flows.

The floor plan facility is collateralized by vehicle inventory and other assets of the relevant dealership subsidiary, and contains a number of covenants, including, among others, covenants restricting the dealership subsidiary with respect to the creation of liens and changes in ownership, officers and key management personnel. The Company was in compliance with all of these restrictive covenants as of September 30, 2019.

The floor plan interest expense related to the new vehicle floor plan arrangements is offset by amounts received from manufacturers in the form of floor plan assistance capitalized in inventory and recorded against operating expense in the Condensed Consolidated Statements of Operations when the associated inventory is sold. For the three and nine months ended September 30, 2019, the Company recognized a reduction in operating expense of $0.4 million and $1.6 million, respectively, related to manufacturer floor plan assistance.

6. LEASES

The Company has operating leases for substantially all of its educational facilities, corporate offices and other facilities used in conducting its business, as well as certain equipment. The Company determines if an arrangement is a lease at inception.

Operating leases are included in lease right-of-use (“ROU”) assets, current portion of lease liabilities, and lease liabilities on the Company’s Condensed Consolidated Balance Sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. ROU assets also include any initial direct costs, prepaid lease payments and lease incentives received, when applicable. As most of the Company’s leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on December 31, 2018 for operating leases that commenced prior to that date.

The Company’s lease terms may include options to extend or terminate the lease by one to 10 years or more when it is reasonably certain that the option will be exercised. Leases with a term of twelve months or less are not recorded on the balance sheet; however, lease expense for these leases is recognized on a straight-line basis. The Company

has elected the practical expedient to not separate lease components from nonlease components. As such, lease expense includes these nonlease components, when applicable. Fixed lease expense is recognized on a straight-line basis over the lease term. Variable lease expense is recognized when incurred. The Company’s lease agreements do not contain any significant residual value guarantees or restrictive covenants. In some instances, the Company subleases its leased real estate facilities to third parties. The Company does not have significant financing leases.

The components of lease expense were as follows:

(in thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 26,242	$ 75,531
Short-term and month-to-month lease cost	4,502	14,275
Variable lease cost	5,601	15,563
Sublease income	(5,222)	(14,915)
Total net lease cost	$ 31,123	$ 90,454

In connection with the sale of the KHE Campuses business, the Company is the guarantor of several leases for which it has established ROU assets and lease liabilities (see Note 15). Any net lease cost or sublease income related to these leases is recorded in other non-operating income. Due to an early lease termination, the Company recorded a $0.1 million gain related to these leases for the three months ended September 30, 2019. The total net lease cost related to these leases was $0.5 million for the nine months ended September 30, 2019.

Supplemental information related to leases was as follows:

(in thousands)	Nine Months Ended September 30, 2019
Cash Flow Information:	
Operating cash flows from operating leases (payments)	$ 88,369
Right-of-use assets obtained in exchange for new operating lease liabilities (noncash)	205,455
	As of September 30, 2019
Balance Sheet Information:	
Lease right-of-use assets	$ 503,830
Current lease liabilities	$ 78,114
Noncurrent lease liabilities	462,868
Total lease liabilities	$ 540,982
Weighted average remaining lease term (years)	10.8
Weighted average discount rate	4.3%

Maturities of lease liabilities were as follows:

(in thousands)	September 30, 2019
2019	$ 20,271
2020	103,515
2021	86,245
2022	71,147
2023	62,384
Thereafter	358,758
Total payments	702,320
Less: Imputed interest	(161,338)
Total	$ 540,982

As of September 30, 2019, the Company has entered into operating leases, including educational and other facilities, that have not yet commenced that have minimum lease payments of $3.9 million. These operating leases will commence in fiscal years 2019 and 2020 with lease terms of one to 12 years.

Disclosure related to periods prior to the adoption of new lease accounting guidance

At December 31, 2018, future minimum rental payments under noncancelable operating leases approximate the following:

(in thousands)	December 31, 2018
2019	**$ 101,009**
2020	**84,945**
2021	**72,031**
2022	**53,709**
2023	**47,091**
Thereafter	**115,948**
	$ 474,733

Minimum payments have not been reduced by minimum sublease rentals of $66.0 million due in the future under noncancelable subleases.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company changed the presentation of its segments in the third quarter of 2019 into the following eight reportable segments: Kaplan International, Higher Education, Test Preparation, Professional (U.S.), Television Broadcasting, Manufacturing, Healthcare and SocialCode (see Note 16).

In the third quarter of 2018, the Healthcare business recorded an intangible asset impairment charge of $7.9 million following the decision to discontinue the use of the Celtic tradename. The fair value of the intangible asset was estimated using an income approach.

Amortization of intangible assets for the three months ended September 30, 2019 and 2018 was $13.6 million and $12.3 million, respectively. Amortization of intangible assets for the nine months ended September 30, 2019 and 2018 was $39.5 million and $34.1 million, respectively. Amortization of intangible assets is estimated to be approximately $14 million for the remainder of 2019, $53 million in 2020, $47 million in 2021, $41 million in 2022, $33 million in 2023 and $57 million thereafter.

The changes in the carrying amount of goodwill, by segment, were as follows:

(in thousands)	Education	Television Broadcasting	Manufacturing	Healthcare	SocialCode	Other Businesses	Total
Balance as of December 31, 2018							
Goodwill	$ 1,128,699	$ 190,815	$ 231,479	$ 69,626	$ 15,860	$ 7,685	$ 1,644,164
Accumulated impairment losses	(331,151)	—	(7,616)	—	—	(7,685)	(346,452)
	797,548	190,815	223,863	69,626	15,860	—	1,297,712
Acquisitions	**6,391**	**—**	**2,714**	**8,283**	**—**	**45,999**	**63,387**
Foreign currency exchange rate changes	**(15,706)**	**—**	**—**	**—**	**—**	**—**	**(15,706)**
Balance as of September 30, 2019							
Goodwill	**1,119,384**	**190,815**	**234,193**	**77,909**	**15,860**	**53,684**	**1,691,845**
Accumulated impairment losses	**(331,151)**	**—**	**(7,616)**	**—**	**—**	**(7,685)**	**(346,452)**
	$ 788,233	**$ 190,815**	**$ 226,577**	**$ 77,909**	**$ 15,860**	**$ 45,999**	**$ 1,345,393**

The changes in carrying amount of goodwill at the Company's education division were as follows:

(in thousands)	Kaplan International	Higher Education	Test Preparation	Professional (U.S.)	Total
Balance as of December 31, 2018					
Goodwill	$ 583,424	$ 174,564	$ 166,920	$ 203,791	$ 1,128,699
Accumulated impairment losses	—	(111,324)	(102,259)	(117,568)	(331,151)
	583,424	63,240	64,661	86,223	797,548
Acquisitions	**6,391**	**—**	**—**	**—**	**6,391**
Foreign currency exchange rate changes	**(15,760)**	**—**	**—**	**54**	**(15,706)**
Balance as of September 30, 2019					
Goodwill	**574,055**	**174,564**	**166,920**	**203,845**	**1,119,384**
Accumulated impairment losses	**—**	**(111,324)**	**(102,259)**	**(117,568)**	**(331,151)**
	$ 574,055	**$ 63,240**	**$ 64,661**	**$ 86,277**	**$ 788,233**

Other intangible assets consist of the following:

		As of September 30, 2019			As of December 31, 2018		
(in thousands)	**Useful Life Range**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets							
Student and customer relationships	**2–10 years**	**$ 291,662**	**$ 136,319**	**$ 155,343**	$ 282,761	$ 114,429	$ 168,332
Trade names and trademarks	**2–10 years**	**92,568**	**46,204**	**46,364**	87,285	39,825	47,460
Network affiliation agreements	**10 years**	**17,400**	**4,712**	**12,688**	17,400	3,408	13,992
Databases and technology	**3–6 years**	**30,274**	**12,221**	**18,053**	27,041	8,471	18,570
Noncompete agreements	**2–5 years**	**1,353**	**931**	**422**	1,088	838	250
Other	**1–8 years**	**24,890**	**12,367**	**12,523**	24,530	9,873	14,657
		$ 458,147	**$ 212,754**	**$ 245,393**	$ 440,105	$ 176,844	$ 263,261
Indefinite-Lived Intangible Assets							
Trade names and trademarks		**$ 97,527**			$ 80,102		
Franchise agreements		**28,000**			—		
FCC licenses		**18,800**			18,800		
Licensure and accreditation		**150**			150		
		$ 144,477			$ 99,052		

8. DEBT

The Company's borrowings consist of the following:

	As of	
(in thousands)	**September 30, 2019**	December 31, 2018
5.75% unsecured notes due June 1, 2026 (1)	**$ 395,212**	$ 394,675
U.K. credit facility (2)	**73,683**	82,366
Commercial note	**28,250**	—
USD revolving credit facility	**5,000**	—
Other indebtedness	**87**	96
Total Debt	**$ 502,232**	$ 477,137
Less: current portion	**(81,697)**	(6,360)
Total Long-Term Debt	**$ 420,535**	$ 470,777

(1) The carrying value is net of $4.8 million and $5.3 million of unamortized debt issuance costs as of September 30, 2019 and December 31, 2018, respectively.
(2) The carrying value is net of $0.1 million and $0.2 million of unamortized debt issuance costs as of September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019, there was $5.0 million outstanding under the Company's revolving credit facility at an interest rate of 5.5%; this was fully repaid on October 1, 2019. The Company's other indebtedness at September 30, 2019 and December 31, 2018 is at an interest rate of 2% and matures in 2026.

On January 31, 2019, the Company's automotive subsidiary entered into a Commercial Note with SunTrust Bank in an aggregate principal amount of $30 million. The Commercial Note is payable over a 10 year period in monthly

installments of $0.25 million, plus accrued and unpaid interest, due on the first of each month, with a final payment on January 31, 2029. The Commercial Note bears interest at LIBOR plus an applicable interest rate of 1.75% or 2% per annum, in each case determined on a quarterly basis based upon the automotive subsidiary's Adjusted Leverage Ratio. The Commercial Note contains terms and conditions, including remedies in the event of a default by the automotive subsidiary. On the same date, the Company's automotive subsidiary entered into an interest rate swap agreement with a total notional value of $30 million and a maturity date of January 31, 2029. The interest rate swap agreement will pay the automotive subsidiary variable interest on the $30 million notional amount at the one-month LIBOR, and the automotive subsidiary will pay counterparties a fixed rate of 2.7%, effectively resulting in a total fixed interest rate of 4.7% on the outstanding borrowings at the current applicable margin of 2.0%. The interest rate swap agreement was entered into to convert the variable rate borrowing under the Commercial Note into a fixed rate borrowing. Based on the terms of the interest rate swap agreement and the underlying borrowing, the interest rate swap was determined to be effective and thus qualifies as a cash flow hedge. As such, changes in the fair value of the interest rate swap are recorded in other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows.

On May 30, 2018, the Company issued $400 million senior unsecured fixed-rate notes due June 1, 2026 (the Notes). The Notes are guaranteed, jointly and severally, on a senior unsecured basis, by certain of the Company's existing and future domestic subsidiaries, as described in the terms of the indenture, dated as of May 30, 2018 (the Indenture). The Notes have a coupon rate of 5.75% per annum, payable semi-annually on June 1 and December 1. The Company may redeem the Notes in whole or in part at any time at the respective redemption prices described in the Indenture.

On June 29, 2018, the Company used the net proceeds from the sale of the Notes, together with cash on hand, to redeem the $400 million of 7.25% notes due February 1, 2019. The Company incurred $11.4 million in debt extinguishment costs in relation to the early termination of the 7.25% notes.

In combination with the issuance of the Notes, the Company and certain of the Company's domestic subsidiaries named therein as guarantors entered into an amended and restated credit agreement providing for a U.S. $300 million five-year revolving credit facility (the Revolving Credit Facility) with each of the lenders party thereto, certain of the Company's foreign subsidiaries from time to time party thereto as foreign borrowers, Wells Fargo Bank, N.A., as Administrative Agent (Wells Fargo), JPMorgan Chase Bank, N.A., as Syndication Agent, and HSBC Bank USA, N.A. and Bank of America, N.A. as Documentation Agents (the Amended and Restated Credit Agreement), which amends and restates the Company's existing Five Year Credit Agreement, dated as of June 29, 2015, among the Company, certain of its domestic subsidiaries as guarantors, the several lenders from time to time party thereto, Wells Fargo Bank, N.A., as Administrative Agent and JPMorgan Chase Bank, N.A., as Syndication Agent (the Existing Credit Agreement). The Amended and Restated Credit Agreement amends the Existing Credit Agreement to (i) extend the maturity of the Revolving Credit Facility to May 30, 2023, unless the Company and the lenders agree to further extend the term, (ii) increase the aggregate principal amount of the Revolving Credit Facility to U.S. $300 million, consisting of a U.S. Dollar tranche of U.S. $200 million for borrowings in U.S. Dollars and a multicurrency tranche equivalent to U.S. $100 million for borrowings in U.S. Dollars and certain foreign currencies, (iii) provide for borrowings under the Revolving Credit Facility in U.S. Dollars and certain other foreign currencies specified in the Amended and Restated Credit Agreement, (iv) permit certain foreign subsidiaries of the Company to be added to the Amended and Restated Credit Agreement as foreign borrowers thereunder and (v) effect certain other modifications to the Existing Credit Agreement.

Under the Amended and Restated Credit Agreement, the Company is required to pay a commitment fee on a quarterly basis, based on the Company's leverage ratio, of between 0.15% and 0.25% of the amount of the average daily unused portion of the Revolving Credit Facility. Any borrowings under the Amended and Restated Credit Agreement are made on an unsecured basis and bear interest at the Company's option, either at (a) a fluctuating interest rate equal to the highest of Wells Fargo's prime rate, 0.5 percent above the Federal funds rate or the one-month Eurodollar rate plus 1%, or (b) the Eurodollar rate for the applicable currency and interest period as defined in the Amended and Restated Credit Agreement, which is generally a periodic rate equal to LIBOR, CDOR, BBSY or SOR, as applicable, in the case of each of clauses (a) and (b) plus an applicable margin that depends on the Company's consolidated debt to consolidated adjusted EBITDA (as determined pursuant to the Amended and Restated Credit Agreement, Total Net Leverage Ratio). The Company and its foreign subsidiaries may draw on the Revolving Credit Facility for general corporate purposes. Any outstanding borrowings must be repaid on or prior to the final termination date. The Amended and Restated Credit Agreement contains terms and conditions, including remedies in the event of a default by the Company, typical of facilities of this type and requires the Company to maintain a Total Net Leverage Ratio of not greater than 3.5 to 1.0 and a consolidated interest coverage ratio of at least 3.5 to 1.0 based upon the ratio of consolidated adjusted EBITDA to consolidated interest expense as determined pursuant to the Amended and Restated Credit Agreement. The Company is in compliance with all financial covenants as of September 30, 2019.

During the three months ended September 30, 2019 and 2018, the Company had average borrowings outstanding of approximately $501.1 million and $480.6 million, respectively, at average annual interest rates of approximately

5.1%. During the three months ended September 30, 2019 and 2018, the Company incurred net interest expense of $5.3 million and $5.5 million, respectively.

During the nine months ended September 30, 2019 and 2018, the Company had average borrowings outstanding of approximately $499.7 million and $529.2 million, respectively, at average annual interest rates of approximately 5.1% and 5.7%, respectively. During the nine months ended September 30, 2019 and 2018, the Company incurred net interest expense of $17.8 million and $27.5 million, respectively.

In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG (see note 2). The fair value of the mandatorily redeemable noncontrolling interest is based on the redemption value resulting from a negotiated settlement.

At September 30, 2019, the fair value of the Company's 5.75% unsecured notes, based on quoted market prices (Level 2 fair value assessment), totaled $432.3 million, compared with the carrying amount of $395.2 million. At December 31, 2018, the fair value of the Company's 5.75% unsecured notes, based on quoted market prices (Level 2 fair value assessment), totaled $406.7 million, compared with the carrying amount of $394.7 million. The carrying value of the Company's other unsecured debt at September 30, 2019 and December 31, 2018 approximates fair value.

9. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities measured at fair value on a recurring basis were as follows:

	As of September 30, 2019		
(in thousands)	Level 1	Level 2	Total
Assets			
Marketable equity securities [(1)]	**$ 535,564**	**$ —**	**$ 535,564**
Other current investments [(2)]	**13,601**	**5,045**	**18,646**
Interest rate swap [(3)]	**—**	**162**	**162**
Total Financial Assets	**$ 549,165**	**$ 5,207**	**$ 554,372**
Liabilities			
Deferred compensation plan liabilities [(4)]	**$ —**	**$ 33,195**	**$ 33,195**
Interest rate swap [(5)]	**—**	**706**	**706**
Total Financial Liabilities	**$ —**	**$ 33,901**	**$ 33,901**

	As of December 31, 2018		
(in thousands)	Level 1	Level 2	Total
Assets			
Money market investments [(6)]	$ —	$ 75,500	$ 75,500
Marketable equity securities [(1)]	496,390	—	496,390
Other current investments [(2)]	11,203	6,988	18,191
Interest rate swap [(3)]	—	369	369
Total Financial Assets	$ 507,593	$ 82,857	$ 590,450
Liabilities			
Deferred compensation plan liabilities [(4)]	$ —	$ 36,080	$ 36,080

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(1) The Company's investments in marketable equity securities are held in common shares of U.S. corporations that are actively traded on U.S. stock exchanges. Price quotes for these shares are readily available.

(2) Includes U.S. Government Securities, corporate bonds, mutual funds and time deposits. These investments are valued using a market approach based on the quoted market prices of the security or inputs that include quoted market prices for similar instruments and are classified as either Level 1 or Level 2 in the fair value hierarchy.

(3) Included in Other Current Assets. The Company utilized a market approach model using the notional amount of the interest rate swap multiplied by the observable inputs of time to maturity and market interest rates.

(4) Includes Graham Holdings Company's Deferred Compensation Plan and supplemental savings plan benefits under the Graham Holdings Company's Supplemental Executive Retirement Plan, which are included in accrued compensation and related benefits. These plans measure the market value of a participant's balance in a notional investment account that is comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations are not exchanged in an active market, they are classified as Level 2 in the fair value hierarchy. Realized and unrealized gains (losses) on deferred compensation are included in operating income.

(5) Included in Other Liabilities. The Company utilized a market approach model using the notional amount of the interest rate swap multiplied by the observable inputs of time to maturity and market interest rates.

(6) The Company's money market investments are included in Cash and Cash Equivalents and the value considers the liquidity of the counterparty.

During the three and nine months ended September 30, 2019, the Company recorded other long-lived asset impairment charges of $0.4 million and $1.1 million, respectively. In the third quarter of 2018, the Company recorded an other long-lived asset impairment charges of $8.1 million. The remeasurement of other long-lived

assets is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed in the determination of the fair value. The Company used a discounted cash flow model to determine the estimated fair value of the other long-lived assets and made estimates and assumptions regarding future cash flows and discount rates.

During the three and nine months ended September 30, 2019, the Company recorded gains of $3.7 million and $5.1 million, respectively, to equity securities that are accounted for as cost method investments based on observable transactions.

During the three and nine months ended September 30, 2018, the Company recorded gains of $8.5 million to equity securities that are accounted for as cost method investments based on observable transactions.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company generated 79% and 77% of its revenue from U.S. domestic sales for the three and nine months ended September 30, 2019, respectively. The remaining 21% and 23% of revenue was generated from non-U.S. sales for the three and nine months ended September 30, 2019, respectively. For the three and nine months ended September 30, 2018, 78% and 76% of revenue was from U.S. domestic sales, respectively. The remaining 22% and 24% was generated from non-U.S. sales in the three and nine months ended September 30, 2018, respectively.

For the three months ended September 30, 2019, the Company recognized 70% of its revenue over time as control of the services and goods transferred to the customer, and 30% at a point in time, when the customer obtained control of the promised goods. For the nine months ended September 30, 2019, the Company recognized 74% of its revenue over time, and 26% at a point in time. For the three and nine months ended September 30, 2018, the Company recognized 80% of its revenue over time, and the remaining 20% at a point in time.

Deferred Revenue. The Company records deferred revenue when cash payments are received or due in advance of the Company's performance, including amounts which are refundable. The following table presents the change in the Company's deferred revenue balance:

	As of		
(in thousands)	**September 30, 2019**	December 31, 2018	% Change
Deferred revenue	**$ 341,682**	$ 311,214	10

The majority of the change in the deferred revenue balance is related to the cyclical nature of services at the Kaplan international division. During the nine months ended September 30, 2019, the Company recognized $254.4 million related to the Company's deferred revenue balance as of December 31, 2018.

Revenue allocated to remaining performance obligations represents deferred revenue amounts that will be recognized as revenue in future periods. As of September 30, 2019, KTP's deferred revenue balance related to certain medical and nursing qualifications with an original contract length greater than twelve months was $8.9 million. KTP expects to recognize 66% of this revenue over the next twelve months and the remainder thereafter.

Costs to Obtain a Contract. The following table presents changes in the Company's costs to obtain a contract asset:

(in thousands)	**Balance at Beginning of Period**	**Costs associated with new contracts**	**Less: Costs amortized during the period**	**Other**	**Balance at End of Period**
2019	**$ 21,311**	**$ 29,381**	**$ (34,729)**	**$ (312)**	**$ 15,651**

The majority of other activity is related to currency translation adjustments during the nine months ended September 30, 2019. Amortization expense for costs to obtain a contract was $9.2 million for the three months ended September 30, 2019.

11. EARNINGS PER SHARE

The Company's unvested restricted stock awards contain nonforfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The diluted earnings per share computed under the two-class method is lower than the diluted earnings per share computed under the treasury stock method, resulting in the presentation of the lower amount in diluted earnings per share. The computation of the earnings per share under the two-class method excludes the income attributable to the unvested restricted stock awards from the numerator and excludes the dilutive impact of those underlying shares from the denominator.

The following reflects the Company's net income and share data used in the basic and diluted earnings per share computations using the two-class method:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands, except per share amounts)	**2019**	2018	**2019**	2018
Numerator:				
Numerator for basic earnings per share:				
Net income attributable to Graham Holdings Company common stockholders	**$ 43,145**	$ 125,064	**$ 181,974**	$ 214,521
Less: Dividends paid-common stock outstanding and unvested restricted shares	**(7,386)**	(7,048)	**(29,554)**	(28,635)
Undistributed earnings	**35,759**	118,016	**152,420**	185,886
Percent allocated to common stockholders	**99.44%**	99.34%	**99.44%**	99.34%
	35,559	117,235	**151,570**	184,657
Add: Dividends paid-common stock outstanding	**7,345**	7,001	**29,389**	28,447
Numerator for basic earnings per share	**$ 42,904**	$ 124,236	**$ 180,959**	$ 213,104
Add: Additional undistributed earnings due to dilutive stock options	**2**	5	**7**	8
Numerator for diluted earnings per share	**$ 42,906**	$ 124,241	**$ 180,966**	$ 213,112
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares outstanding	**5,285**	5,302	**5,285**	5,354
Add: Effect of dilutive stock options	**44**	35	**43**	36
Denominator for diluted earnings per share	**5,329**	5,337	**5,328**	5,390
Graham Holdings Company Common Stockholders:				
Basic earnings per share	**$ 8.12**	$ 23.43	**$ 34.24**	$ 39.81
Diluted earnings per share	**$ 8.05**	$ 23.28	**$ 33.96**	$ 39.54

Diluted earnings per share excludes the following weighted average potential common shares, as the effect would be antidilutive, as computed under the treasury stock method:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Weighted average restricted stock	**14**	21	**12**	23

The diluted earnings per share amounts for the three and nine months ended September 30, 2019 and September 30, 2018 exclude the effects of 104,000 stock options outstanding, as their inclusion would have been antidilutive due to a market condition. The diluted earnings per share amounts for the three and nine months ended September 30, 2018 exclude the effects of 5,250 restricted stock awards as their inclusion would have been antidilutive due to a performance condition.

In the three and nine months ended September 30, 2019, the Company declared regular dividends totaling $1.39 and $5.56 per common share, respectively. In the three and nine months ended September 30, 2018, the Company declared regular dividends totaling $1.33 and $5.32 per common share, respectively.

12. PENSION AND POSTRETIREMENT PLANS

On March 22, 2018, the Company eliminated the accrual of pension benefits for certain Kaplan University employees related to their future service. As a result, the Company remeasured the accumulated and projected benefit obligation of the pension plan as of March 22, 2018, and the Company recorded a curtailment gain in the first quarter of 2018. The new measurement basis was used for the recognition of the Company's pension benefit following the remeasurement. The curtailment gain on the Kaplan University transaction is included in the gain on the Kaplan University transaction and reported in Other income, net on the Condensed Consolidated Statement of Operations.

Defined Benefit Plans. The total benefit arising from the Company's defined benefit pension plans consists of the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Service cost	**$ 5,142**	$ 4,473	**$ 15,326**	$ 13,730
Interest cost	**11,743**	11,844	**35,078**	34,943
Expected return on assets	**(30,832)**	(31,969)	**(91,955)**	(97,251)
Amortization of prior service cost	**824**	36	**2,058**	114
Recognized actuarial gain	**—**	(2,974)	**—**	(6,994)
Net Periodic Benefit	**(13,123)**	(18,590)	**(39,493)**	(55,458)
Curtailment gain	**—**	—	**—**	(806)
Special separation benefit expense	**(175)**	—	**6,432**	—
Total Benefit	**$ (13,298)**	$ (18,590)	**$ (33,061)**	$ (56,264)

In the second quarter of 2019, the Company offered a Separation Incentive Program (SIP) for certain Kaplan employees, which was funded from the assets of the Company's pension plan. The Company recorded $6.4 million in expense related to the SIP for the nine months ended September 30, 2019.

The total cost arising from the Company's Supplemental Executive Retirement Plan (SERP) consists of the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Service cost	**$ 214**	$ 205	**$ 643**	$ 614
Interest cost	**1,079**	967	**3,236**	2,899
Amortization of prior service cost	**85**	77	**254**	233
Recognized actuarial loss	**579**	600	**1,736**	1,802
Net Periodic Cost	**$ 1,957**	$ 1,849	**$ 5,869**	$ 5,548

Defined Benefit Plan Assets. The Company's defined benefit pension obligations are funded by a portfolio made up of a U.S. stock index fund, a relatively small number of stocks and high-quality fixed-income securities that are held by a third-party trustee. The assets of the Company's pension plan were allocated as follows:

	As of	
	September 30, 2019	December 31, 2018
U.S. equities	**55%**	53%
U.S. stock index fund	**21%**	28%
U.S. fixed income	**17%**	13%
International equities	**7%**	6%
	100%	100%

The Company manages approximately 44% of the pension assets internally, of which the majority is invested in a U.S. stock index fund with the remaining investments in Berkshire Hathaway stock and short-term fixed income securities. The remaining 56% of plan assets are managed by two investment companies. The goal for the investments is to produce moderate long-term growth in the value of these assets, while protecting them against large decreases in value. Both investment managers may invest in a combination of equity and fixed-income securities and cash. The managers are not permitted to invest in securities of the Company or in alternative investments. One investment manager cannot invest more than 15% of the assets at the time of purchase in the stock of Alphabet and Berkshire Hathaway, no more than 30% of the assets it manages in specified international exchanges at the time the investment is made, and no less than 5% of the assets could be invested in fixed-income securities. The other investment manager cannot invest more than 20% of the assets at the time of purchase in the stock of Berkshire Hathaway, no more than 15% of the assets it manages in specified international exchanges, at the time the investment is made, and no less than 10% of the assets could be invested in fixed-income securities. Excluding the exceptions noted above, the investment managers cannot invest more than 10% of the assets in the securities of any other single issuer, except for obligations of the U.S. Government, without receiving prior approval from the Plan administrator.

In determining the expected rate of return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the Company may consult with and consider the input of financial and other professionals in developing appropriate return benchmarks.

The Company evaluated its defined benefit pension plan asset portfolio for the existence of significant concentrations (defined as greater than 10% of plan assets) of credit risk as of September 30, 2019. Types of concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country and individual fund. At September 30, 2019 and December 31, 2018, the pension plan held investments in one common stock and one U.S. stock index fund that exceeded 10% of total plan assets. These investments were valued at $853.3 million and $945.6 million at September 30, 2019 and December 31, 2018, respectively, or approximately 35% and 45%, respectively, of total plan assets.

Other Postretirement Plans. The total cost arising from the Company's other postretirement plans consists of the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Service cost	**$ —**	$ 267	**$ —**	$ 803
Interest cost	**72**	170	**216**	509
Amortization of prior service credit	**(1,841)**	(44)	**(5,522)**	(132)
Recognized actuarial gain	**(1,090)**	(921)	**(3,270)**	(2,764)
Net Periodic Benefit	**$ (2,859)**	$ (528)	**$ (8,576)**	$ (1,584)

13. OTHER NON-OPERATING INCOME

A summary of non-operating income is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Gain on sale of an equity affiliate	**$ —**	$ —	**$ 28,994**	$ —
Gain on cost method investments	**3,669**	8,487	**5,080**	8,487
Foreign currency gain (loss), net	**661**	(116)	**1,284**	(2,205)
Impairment of a cost method investment	**—**	(2,500)	**—**	(2,500)
Gain on sales of businesses	**486**	916	**907**	8,157
Gain on sale of cost method investments	**259**	—	**259**	2,845
(Loss) gain on sale of property, plant and equipment	**(38)**	—	**(82)**	2,542
Other gain (loss), net	**519**	(3,645)	**(307)**	(2,664)
Total Other Non-Operating Income	**$ 5,556**	$ 3,142	**$ 36,135**	$ 14,662

In the third quarter of 2019, the Company recorded a $3.7 million gain resulting from observable price changes in the fair value of equity securities accounted for under the cost method.

In the first quarter of 2019, the Company recorded a $1.3 million gain resulting from observable price changes in the fair value of equity securities accounted for under the cost method.

In the first quarter of 2019, the Company recorded a $29.0 million gain on the sale of the Company's interest in Gimlet Media.

In the third quarter of 2018, the Company recorded an $8.5 million gain resulting from observable price changes in the fair value of equity securities accounted for under the cost method.

In the first nine months of 2018, the Company recorded an $8.2 million gain on the sale of three businesses in the education division, including a gain of $4.3 million on the Kaplan University transaction and a $1.9 million in contingent consideration gains related to the sale of a business (see Note 2).

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The other comprehensive loss consists of the following components:

	Three Months Ended September 30					
	2019			2018		
(in thousands)	**Before-Tax Amount**	**Income Tax**	**After-Tax Amount**	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:						
Translation adjustments arising during the period	**$ (16,684)**	**$ —**	**$ (16,684)**	$ (2,844)	$ —	$ (2,844)
Pension and other postretirement plans:						
Amortization of net prior service (credit) cost included in net income	**(932)**	**252**	**(680)**	69	(18)	51
Amortization of net actuarial gain included in net income	**(511)**	**138**	**(373)**	(3,295)	891	(2,404)
	(1,443)	**390**	**(1,053)**	(3,226)	873	(2,353)
Cash flow hedges:						
Loss for the period	**(477)**	**128**	**(349)**	(6)	1	(5)
Other Comprehensive Loss	**$ (18,604)**	**$ 518**	**$ (18,086)**	$ (6,076)	$ 874	$ (5,202)

	Nine Months Ended September 30					
	2019			2018		
(in thousands)	**Before-Tax Amount**	**Income Tax**	**After-Tax Amount**	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:						
Translation adjustments arising during the period	**$ (17,755)**	**$ —**	**$ (17,755)**	$ (22,447)	$ —	$ (22,447)
Pension and other postretirement plans:						
Amortization of net prior service (credit) cost included in net income	**(3,210)**	**867**	**(2,343)**	215	(58)	157
Amortization of net actuarial gain included in net income	**(1,534)**	**414**	**(1,120)**	(7,956)	2,148	(5,808)
	(4,744)	**1,281**	**(3,463)**	(7,741)	2,090	(5,651)
Cash flow hedges:						
(Loss) gain for the period	**(904)**	**231**	**(673)**	601	(114)	487
Other Comprehensive Loss	**$ (23,403)**	**$ 1,512**	**$ (21,891)**	$ (29,587)	$ 1,976	$ (27,611)

The accumulated balances related to each component of other comprehensive income (loss) are as follows:

(in thousands, net of taxes)	**Cumulative Foreign Currency Translation Adjustment**	**Unrealized Gain on Pensions and Other Postretirement Plans**	**Cash Flow Hedges**	**Accumulated Other Comprehensive Income**
Balance as of December 31, 2018	$ (29,270)	$ 232,836	$ 263	$ 203,829
Other comprehensive loss before reclassifications	**(17,755)**	**—**	**(562)**	**(18,317)**
Net amount reclassified from accumulated other comprehensive income (loss)	**—**	**(3,463)**	**(111)**	**(3,574)**
Other comprehensive loss, net of tax	**(17,755)**	**(3,463)**	**(673)**	**(21,891)**
Balance as of September 30, 2019	**$ (47,025)**	**$ 229,373**	**$ (410)**	**$ 181,938**

The amounts and line items of reclassifications out of Accumulated Other Comprehensive Income (Loss) are as follows:

(in thousands)	Three Months Ended September 30		Nine Months Ended September 30		Affected Line Item in the Condensed Consolidated Statements of Operations
	2019	2018	**2019**	2018	
Pension and Other Postretirement Plans:					
Amortization of net prior service (credit) cost	**$ (932)**	$ 69	**$ (3,210)**	$ 215	(1)
Amortization of net actuarial gain	**(511)**	(3,295)	**(1,534)**	(7,956)	(1)
	(1,443)	(3,226)	**(4,744)**	(7,741)	Before tax
	390	873	**1,281**	2,090	Provision for Income Taxes
	(1,053)	(2,353)	**(3,463)**	(5,651)	Net of Tax
Cash Flow Hedges					
	(24)	(59)	**(151)**	(101)	Interest expense
	11	11	**40**	19	Provision for Income Taxes
	(13)	(48)	**(111)**	(82)	Net of Tax
Total reclassification for the period	**$ (1,066)**	$ (2,401)	**$ (3,574)**	$ (5,733)	Net of Tax

(1) These accumulated other comprehensive income components are components of net periodic pension and postretirement plan cost (see Note 12) and are included in non-operating pension and postretirement benefit income in the Company's Condensed Consolidated Statements of Operations.

15. CONTINGENCIES AND REGULATORY MATTERS

Litigation, Legal and Other Matters. The Company and its subsidiaries are subject to complaints and administrative proceedings and are defendants in various civil lawsuits that have arisen in the ordinary course of their businesses, including contract disputes; actions alleging negligence, libel, defamation and invasion of privacy; trademark, copyright and patent infringement; violations of applicable wage and hour laws; and statutory or common law claims involving current and former students and employees. Although the outcomes of the legal claims and proceedings against the Company cannot be predicted with certainty, based on currently available information, management believes that there are no existing claims or proceedings that are likely to have a material effect on the Company's business, financial condition, results of operations or cash flows. However, based on currently available information, management believes it is reasonably possible that future losses from existing and threatened legal, regulatory and other proceedings in excess of the amounts recorded could reach approximately $15 million.

On September 3, 2015, Kaplan sold to ECA substantially all of the assets of KHE nationally accredited on-ground Title IV eligible schools (KHE Campuses). The transaction included the transfer of certain real estate leases that were guaranteed by Kaplan. As part of the transaction, Kaplan retained liability for, among other things, obligations arising under certain lease guarantees. ECA is currently in receivership, has terminated all of its higher education operations and has sold the New England College of Business (NECB). The receiver has repudiated all of ECA's real estate leases. Although ECA is required to indemnify Kaplan for any amounts Kaplan must pay due to ECA's failure to fulfill its obligations under real estate leases guaranteed by Kaplan, ECA's financial situation and the existence of secured and unsecured creditors make it unlikely that Kaplan will recover from ECA. In the second half of 2018, the Company recorded an estimated $17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company continues to monitor the status of these obligations and there was no significant change to estimated losses in the first nine months of 2019.

Her Majesty's Revenue and Customs (HMRC), a department of the U.K. government responsible for the collection of taxes, has raised assessments against the Kaplan U.K. Pathways business for Value Added Tax (VAT) relating to years 2014 to 2017, which have been paid by Kaplan. In September 2017, in a case captioned Kaplan International Colleges UK Limited v. The Commissioners for Her Majesty's Revenue and Customs, Kaplan challenged these assessments. The Company believes it has met all requirements under U.K. VAT law and is entitled to recover the £17.3 million receivable related to the assessments and subsequent payments that have been paid through September 30, 2019. Following a hearing held in January 2019 before the First Tier Tax Tribunal, all issues related to EU law in the case were referred to the Court of Justice of the European Union. In the third quarter of 2019, the Company has recorded a full provision of £17.3 million against this receivable to expense, due to recent developments in the case. Of this amount, £14.1 million relates to years 2014 to 2018. If the Company ultimately prevails in this case, the provision will be reversed and a pre-tax credit will be recorded as a reduction to expense in the Company's Condensed Consolidated Statement of Operations. The result of the case is expected to be known by the end of 2020.

In a separate matter, there was a legal case awaiting judgment at the Supreme Court in the U.K. as of December 31, 2018 that could have impacted U.K. Pathways' ability to receive the benefit of an exemption from charging its students VAT on tuition fees. The case could have reversed or amended the law and guidance permitting private

providers to qualify as a “college of a university” and, therefore, receive the benefit of an exemption from charging its students VAT on tuition fees. However the Supreme Court decided the case in the college’s favor. The result was more favorable to private providers working in collaboration with a university than the opposing view. The Supreme Court emphasized five key tests for a private provider to satisfy so that it could exempt its services as a “college of a university”, even if it did not have a constitutional link to the university. Satisfying these tests would generally show that the college had a sufficiently close relationship with the university and its activities were sufficiently integrated with the university, to constitute a “college of a university”. Although the new test has now been incorporated into official HMRC guidance, it is not yet clear how HMRC will apply the Supreme Court judgment and the five key tests in practice.

Department of Education (ED) Program Reviews. The ED has undertaken program reviews at various KHE locations.

In February 2015, the ED began a program review assessing KU’s administration of its Title IV and Higher Education Act programs during the 2013-2014 and 2014-2015 award years. In 2018, Kaplan contributed the institutional assets and operations of KU to Purdue Global, and the university became Purdue Global, under the ownership and control of Purdue University. However, Kaplan retained liability for any financial obligations the ED might impose under this program review and that are the result of actions taken during the time that Kaplan owned the institution. In September 2018, the ED issued a Preliminary Program Report (Preliminary Report) and none of the initial findings in the Preliminary Report carried material financial liability. Although the program review technically covers only the 2013-2015 award years, the ED included a review of the treatment of student financial aid refunds for students who withdrew from a program prior to completion in 2017-2018. In August 2019, the ED issued a Final Program Report, with a nominal financial liability.

There were two other open program reviews at campuses that were part of the KHE Campuses business prior to its sale in 2015 to ECA. The ED’s reports on the program reviews at former KHE Broomall, PA, and Pittsburgh, PA, locations were recently finalized with no additional financial obligation.

Regulatory Matters. In November 2018, Kaplan Learning Institute in Singapore (KLI) was notified by SkillsFuture Singapore (SSG), a statutory board under the Singapore Ministry of Education, that its right to deliver workforce skills qualifications (WSQ) courses under the Leadership & People Management framework would be suspended for six months from December 1, 2018. In June 2019, SSG notified KLI that from July 1, 2019, SSG was suspending KLI’s WSQ Approved Training Organization status for twelve months and terminating its WSQ course accreditation and funding due to findings of non-compliance with WSQ assessment principles. Kaplan Singapore has subsequently begun the process of voluntarily de-registering KLI as a Private Education institution. These actions have and will continue to adversely impact Kaplan Singapore’s revenues and operating results for 2019, as compared to 2018.

16. BUSINESS SEGMENTS

The Company changed the presentation of its segments in the third quarter of 2019 into the following eight reportable segments: Kaplan International, Kaplan Higher Education, Kaplan Test Preparation, Kaplan Professional (U.S.), Television Broadcasting, Manufacturing, Healthcare, and SocialCode.

The following tables summarize the financial information related to each of the Company's business segments:

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended June 30, 2019	Three Months Ended September 30, 2019
Operating Revenues			
Education	$ 372,454	$ 367,763	**$ 357,319**
Television broadcasting	108,223	116,628	**115,161**
Manufacturing	115,157	114,873	**111,676**
Healthcare	37,728	40,641	**40,688**
SocialCode	13,447	16,382	**15,975**
Other businesses	45,230	81,359	**98,225**
Corporate office	—	—	**—**
Intersegment elimination	(40)	(44)	**(224)**
	$ 692,199	$ 737,602	**$ 738,820**
Income (Loss) from Operations			
Education	$ 25,595	$ 26,305	**$ (7,161)**
Television broadcasting	35,540	44,494	**36,813**
Manufacturing	3,274	4,692	**6,845**
Healthcare	2,329	2,598	**1,208**
SocialCode	(4,018)	(975)	**(378)**
Other businesses	(8,493)	(5,913)	**(9,029)**
Corporate office	(14,224)	(13,238)	**(12,030)**
	$ 40,003	$ 57,963	**$ 16,268**
Equity in Earnings of Affiliates, Net	1,679	1,467	**4,683**
Interest Expense, Net	(5,725)	(6,807)	**(5,302)**
Non-Operating Pension and Postretirement Benefit Income, Net	19,928	12,253	**19,556**
Gain on Marketable Equity Securities, Net	24,066	7,791	**17,404**
Other Income, Net	29,351	1,228	**5,556**
Income Before Income Taxes	$ 109,302	$ 73,895	**$ 58,165**
Depreciation of Property, Plant and Equipment			
Education	$ 6,201	$ 6,137	**$ 6,258**
Television broadcasting	3,239	3,293	**3,307**
Manufacturing	2,433	2,384	**2,671**
Healthcare	610	607	**566**
SocialCode	152	384	**356**
Other businesses	648	837	**1,974**
Corporate office	240	242	**219**
	$ 13,523	$ 13,884	**$ 15,351**
Amortization of Intangible Assets and Impairment of Long-Lived Assets			
Education	$ 3,567	$ 4,070	**$ 3,944**
Television broadcasting	1,408	1,408	**1,408**
Manufacturing	6,530	6,528	**6,522**
Healthcare	1,398	1,410	**1,914**
SocialCode	157	157	**156**
Other businesses	—	—	**—**
Corporate office	—	—	**—**
	$ 13,060	$ 13,573	**$ 13,944**
Pension Service Cost			
Education	$ 2,664	$ 2,522	**$ 2,603**
Television broadcasting	731	780	**762**
Manufacturing	25	15	**20**
Healthcare	183	63	**123**
SocialCode	248	191	**219**
Other businesses	201	161	**215**

Corporate office	1,169	1,231	**1,200**
	$ 5,221	$ 4,963	**$ 5,142**

(in thousands)	Three Months Ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Operating Revenues				
Education	$ 375,499	$ 370,005	$ 358,601	$ 346,910
Television broadcasting	108,802	114,086	130,014	152,647
Manufacturing	117,406	126,462	126,028	117,723
Healthcare	37,621	38,208	35,486	37,960
SocialCode	13,299	14,770	13,781	16,878
Other businesses	6,833	9,167	10,856	17,024
Corporate office	—	—	—	—
Intersegment elimination	(24)	(21)	—	(55)
	$ 659,436	$ 672,677	$ 674,766	$ 689,087
Income (Loss) from Operations				
Education	$ 22,700	$ 37,554	$ 22,262	$ 14,620
Television broadcasting	40,542	41,118	55,453	73,420
Manufacturing	8,628	8,665	5,146	6,412
Healthcare	(1,391)	764	(8,702)	928
SocialCode	(3,781)	(1,742)	5,124	(682)
Other businesses	(8,542)	(7,977)	(5,657)	(5,840)
Corporate office	(13,942)	(12,756)	(12,887)	(13,276)
	$ 44,214	$ 65,626	$ 60,739	$ 75,582
Equity in Earnings of Affiliates, Net	2,579	931	9,537	1,426
Interest Expense, Net	(6,699)	(15,264)	(5,524)	(5,062)
Debt Extinguishment Costs	—	(11,378)	—	—
Non-Operating Pension and Postretirement Benefit Income	21,386	23,041	22,214	53,900
(Loss) Gain on Marketable Equity Securities, Net	(14,102)	(2,554)	44,962	(44,149)
Other Income (Loss), Net	9,187	2,333	3,142	(12,559)
Income from Continuing Operations Before Income Taxes	$ 56,565	$ 62,735	$ 135,070	$ 69,138
Depreciation of Property, Plant and Equipment				
Education	$ 7,606	$ 6,839	$ 6,685	$ 6,969
Television broadcasting	3,071	2,974	3,198	3,961
Manufacturing	2,451	2,331	2,333	2,400
Healthcare	653	647	648	629
SocialCode	233	200	187	177
Other businesses	375	375	345	428
Corporate office	253	253	252	249
	$ 14,642	$ 13,619	$ 13,648	$ 14,813
Amortization of Intangible Assets and Impairment of Long-lived Assets				
Education	$ 1,149	$ 1,663	$ 2,682	$ 3,868
Television broadcasting	1,408	1,408	1,408	1,408
Manufacturing	5,936	5,935	6,345	6,530
Healthcare	1,808	1,809	9,839	1,399
SocialCode	83	584	104	157
Other businesses	—	—	—	—
Corporate office	—	—	—	—
	$ 10,384	$ 11,399	$ 20,378	$ 13,362
Pension Service Cost				
Education	$ 2,664	$ 1,878	$ 2,107	$ 2,104
Television broadcasting	493	601	544	550
Manufacturing	17	19	18	18
Healthcare	122	165	143	143
SocialCode	156	205	181	181
Other businesses	116	154	147	161
Corporate office	1,372	1,295	1,333	1,334
	$ 4,940	$ 4,317	$ 4,473	$ 4,491

(in thousands)	Nine months ended September 30 2019	Nine months ended September 30 2018	Year Ended December 31 2018	Year Ended December 31 2017
Operating Revenues				
Education	**$ 1,097,536**	$ 1,104,105	$ 1,451,015	$ 1,516,776
Television broadcasting	**340,012**	352,902	505,549	409,916
Manufacturing	**341,706**	369,896	487,619	414,193
Healthcare	**119,057**	111,315	149,275	154,202
SocialCode	**45,804**	41,850	58,728	62,077
Other businesses	**224,814**	26,856	43,880	34,733
Corporate office	**—**	—	—	—
Intersegment elimination	**(308)**	(45)	(100)	(51)
	$ 2,168,621	$ 2,006,879	$ 2,695,966	$ 2,591,846
Income (Loss) from Operations				
Education	**$ 44,739**	$ 82,516	$ 97,136	$ 77,687
Television broadcasting	**116,847**	137,113	210,533	139,258
Manufacturing	**14,811**	22,439	28,851	14,947
Healthcare	**6,135**	(9,329)	(8,401)	(2,569)
SocialCode	**(5,371)**	(399)	(1,081)	(3,674)
Other businesses	**(23,435)**	(22,176)	(28,016)	(30,536)
Corporate office	**(39,492)**	(39,585)	(52,861)	(58,710)
	$ 114,234	$ 170,579	$ 246,161	$ 136,403
Equity in Earnings (Losses) of Affiliates, Net	**7,829**	13,047	14,473	(3,249)
Interest Expense, Net	**(17,834)**	(27,487)	(32,549)	(27,305)
Debt Extinguishment Costs	**—**	(11,378)	(11,378)	—
Non-Operating Pension and Postretirement Benefit Income, Net	**51,737**	66,641	120,541	72,699
Gain (Loss) on Marketable Equity Securities, Net	**49,261**	28,306	(15,843)	—
Other Income, Net	**36,135**	14,662	2,103	4,241
Income Before Income Taxes	**$ 241,362**	$ 254,370	$ 323,508	$ 182,789
Depreciation of Property, Plant and Equipment				
Education	**$ 18,596**	$ 21,130	$ 28,099	$ 32,906
Television broadcasting	**9,839**	9,243	13,204	12,179
Manufacturing	**7,488**	7,115	9,515	9,173
Healthcare	**1,783**	1,948	2,577	4,583
SocialCode	**892**	620	797	1,004
Other businesses	**3,459**	1,095	1,523	1,546
Corporate office	**701**	758	1,007	1,118
	$ 42,758	$ 41,909	$ 56,722	$ 62,509
Amortization of Intangible Assets and Impairment of Goodwill and Other Long-Lived Assets				
Education	**$ 11,581**	$ 5,494	$ 9,362	$ 5,162
Television broadcasting	**4,224**	4,224	5,632	6,349
Manufacturing	**19,580**	18,216	24,746	31,052
Healthcare	**4,722**	13,456	14,855	7,905
SocialCode	**470**	771	928	333
Other businesses	**—**	—	—	—
Corporate office	**—**	—	—	—
	$ 40,577	$ 42,161	$ 55,523	$ 50,801
Pension Service Cost				
Education	**$ 7,789**	$ 6,649	$ 8,753	$ 9,720
Television broadcasting	**2,273**	1,638	2,188	1,942
Manufacturing	**60**	54	72	79
Healthcare	**369**	430	573	665
SocialCode	**658**	542	723	593
Other businesses	**577**	417	578	453
Corporate office	**3,600**	4,000	5,334	5,235
	$ 15,326	$ 13,730	$ 18,221	$ 18,687
Capital Expenditures				

Education	$ 54,159	$ 27,520
Television broadcasting	27,013	16,802
Manufacturing	14,806	8,012
Healthcare	1,741	2,987
SocialCode	113	756
Other businesses	235	1,003
Corporate office	—	—
	$ 98,067	$ 57,080

Asset information for the Company's business segments are as follows:

(in thousands)	As of September 30, 2019	As of December 31, 2018
Identifiable Assets		
Education	**$ 1,925,819**	$ 1,568,747
Television broadcasting	**470,915**	452,853
Manufacturing	**577,244**	593,111
Healthcare	**132,068**	108,596
SocialCode	**238,253**	213,394
Other businesses	**333,720**	20,608
Corporate office	**71,501**	162,971
	$ 3,749,520	$ 3,120,280
Investments in Marketable Equity Securities	**535,564**	496,390
Investments in Affiliates	**163,986**	143,813
Prepaid Pension Cost	**1,038,676**	1,003,558
Total Assets	**$ 5,487,746**	$ 4,764,041

The Company's education division comprises the following operating segments:

	Three Months Ended September 30		Nine months ended September 30	
(in thousands)	**2019**	2018	**2019**	2018
Operating Revenues				
Kaplan international	**$ 178,169**	$ 167,668	**$ 552,505**	$ 535,553
Higher education	**78,712**	89,269	**237,780**	275,080
Test preparation	**64,710**	67,749	**191,533**	195,504
Professional (U.S.)	**33,820**	34,302	**110,181**	98,715
Kaplan corporate and other	**2,450**	143	**7,121**	870
Intersegment elimination	**(542)**	(530)	**(1,584)**	(1,617)
	$ 357,319	$ 358,601	**$ 1,097,536**	$ 1,104,105
Income (Loss) from Operations				
Kaplan international	**$ (14,226)**	$ 8,375	**$ 35,596**	$ 52,966
Higher education	**5,177**	6,042	**9,813**	18,616
Test preparation	**4,959**	10,572	**8,794**	17,213
Professional (U.S.)	**4,939**	6,768	**20,943**	20,863
Kaplan corporate and other	**(8,011)**	(9,452)	**(30,405)**	(27,110)
Intersegment elimination	**1**	(43)	**(2)**	(32)
	$ (7,161)	$ 22,262	**$ 44,739**	$ 82,516
Depreciation of Property, Plant and Equipment				
Kaplan international	**$ 3,600**	$ 3,759	**$ 11,198**	$ 11,497
Higher education	**840**	915	**2,066**	4,047
Test preparation	**774**	1,033	**2,358**	2,984
Professional (U.S.)	**978**	859	**2,802**	2,171
Kaplan corporate and other	**66**	119	**172**	431
	$ 6,258	$ 6,685	**$ 18,596**	$ 21,130
Amortization of Intangible Assets	**$ 3,944**	$ 2,682	**$ 10,888**	$ 5,494
Impairment of Long-lived Assets	**$ —**	$ —	**$ 693**	$ —
Pension Service Cost				
Kaplan international	**$ 114**	$ 66	**$ 341**	$ 233
Higher education	**1,136**	1,050	**3,401**	3,260
Test preparation	**847**	577	**2,534**	2,035
Professional (U.S.)	**340**	291	**1,017**	871
Kaplan corporate and other	**166**	123	**496**	250
	$ 2,603	$ 2,107	**$ 7,789**	$ 6,649

Asset information for the Company’s education division is as follows:

(in thousands)	As of September 30, 2019	As of December 31, 2018
Identifiable assets		
Kaplan international	**$ 1,336,238**	$ 1,101,040
Higher education	**202,553**	126,752
Test preparation	**165,471**	145,308
Professional (U.S.)	**154,568**	166,916
Kaplan corporate and other	**66,989**	28,731
	$ 1,925,819	$ 1,568,747

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

This analysis should be read in conjunction with the condensed consolidated financial statements and the notes thereto.

Results of Operations

The Company reported net income attributable to common shares of $43.1 million ($8.05 per share) for the third quarter of 2019, compared to $125.1 million ($23.28 per share) for the third quarter of 2018.

Items included in the Company's net income for the third quarter of 2019:

- a $20.4 million provision recorded at Kaplan International related to a Value Added Tax (VAT) receivable at UK Pathways (after-tax impact of $16.5 million, or $3.09 per share);
- a $1.1 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $0.9 million, or $0.16 per share);
- $17.4 million in net gains on marketable equity securities (after-tax impact of $13.1 million, or $2.44 per share);
- non-operating gain of $3.7 million from write-ups of cost method investments (after-tax impact of $2.8 million or $0.51 per share); and
- $0.7 million in non-operating foreign currency gains (after-tax impact of $0.5 million, or $0.09 per share).

Items included in the Company's net income for the third quarter of 2018:

- a $7.9 million intangible asset impairment charge at the healthcare business (after-tax impact of $5.8 million, or $1.08 per share);
- a $1.0 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $0.8 million, or $0.14 per share);
- $45.0 million in net gains on marketable equity securities (after-tax impact of $33.6 million, or $6.26 per share);
- non-operating gain, net, of $10.1 million from sales, write-ups and impairments of cost method and equity method investments, and related to sales of businesses (after-tax impact of $8.0 million, or $1.48 per share);
- $0.1 million in non-operating foreign currency losses (after-tax impact of $0.1 million, or $0.02 per share); and
- a nonrecurring discrete $17.8 million deferred state tax benefit related to the release of valuation allowances ($3.31 per share).

Revenue for the third quarter of 2019 was $738.8 million, up 9% from $674.8 million in the third quarter of 2018, largely due to the acquisition of two automotive dealerships in January 2019 and the acquisition of Clyde's Restaurant Group (CRG) in July 2019. Revenues grew at healthcare and SocialCode, partially offset by declines at the television broadcasting and manufacturing businesses. The Company reported operating income of $16.3 million for the third quarter of 2019, compared to $60.7 million for the third quarter of 2018. The operating income decline is driven by lower earnings in education, television broadcasting, SocialCode and other businesses, partially offset by improvements in manufacturing and healthcare results.

For the first nine months of 2019, the Company reported net income attributable to common shares of $182.0 million ($33.96 per share), compared to $214.5 million ($39.54 per share) for the first nine months of 2018.

Items included in the Company's net income for the nine months of 2019:

- a $17.1 million provision recorded at Kaplan International related to a VAT receivable at UK Pathways (after-tax impact of $13.9 million, or $2.59 per share);
- a $10.7 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $8.3 million, or $1.55 per share);
- $6.6 million in expenses related to a second quarter non-operating Separation Incentive Program (SIP) at the education division (after-tax impact of $5.1 million, or $0.95 per share);
- $49.3 million in net gains on marketable equity securities (after-tax impact of $36.9 million, or $6.90 per share);
- non-operating gain of $5.1 million from write-ups of cost method investments (after-tax impact of $3.9 million or $0.73 per share);
- $29.0 million gain from the sale of Gimlet Media (after-tax impact of $21.7 million, or $4.06 per share);
- $1.3 million in non-operating foreign currency gains (after-tax impact of $1.0 million, or $0.18 per share); and
- $1.7 million in income tax benefits related to stock compensation ($0.32 per share).

Items included in the Company's net income for the nine months of 2018:

- a $7.9 million intangible asset impairment charge at the healthcare business (after-tax impact of $5.8 million, or $1.08 per share);
- a $2.1 million reduction to operating expenses from property, plant and equipment gains in connection with the spectrum repacking mandate of the FCC (after-tax impact of $1.6 million, or $0.29 per share);
- $6.2 million in interest expense related to the settlement of a mandatorily redeemable noncontrolling interest ($1.14 per share);
- $11.4 million in debt extinguishment costs (after-tax impact of $8.6 million, or $1.60 per share);
- $28.3 million in net losses on marketable equity securities (after-tax impact of $20.9 million, or $3.86 per share);
- non-operating gain, net, of $17.0 million from sales, write-ups and impairments of cost method and equity method investments, and related to sales of land and businesses (after-tax impact of $13.4 million, or $2.46 per share);
- a $4.3 million gain on the Kaplan University Transaction (after-tax impact of $1.8 million, or $0.33 per share);
- $2.2 million in non-operating foreign currency losses (after-tax impact of $1.7 million, or $0.31 per share);
- a nonrecurring discrete $17.8 million deferred state tax benefit related to the release of valuation allowances ($3.31 per share); and
- $1.8 million in income tax benefits related to stock compensation ($0.33 per share).

Revenue for the first nine months of 2019 was $2,168.6 million, up 8% from $2,006.9 million in the first nine months of 2018, largely due to the acquisition of two automotive dealerships in January 2019 and the acquisition of CRG in July 2019. Revenues grew at healthcare and SocialCode, partially offset by declines at the education, television broadcasting and manufacturing businesses. The Company reported operating income of $114.2 million for the first nine months of 2019, compared to $170.6 million for the first nine months of 2018. Operating results declined at the education, television broadcasting, manufacturing, SocialCode and other businesses, partially offset by improvements at healthcare.

Division Results

Education

Education division revenue totaled $357.3 million for the third quarter of 2019, down slightly from $358.6 million for the same period of 2018. Kaplan reported an operating loss of $7.2 million for the third quarter of 2019, compared to operating income of $22.3 million for the third quarter of 2018.

For the first nine months of 2019, education division revenue totaled $1,097.5 million, down 1% from revenue of $1,104.1 million for the same period of 2018. Kaplan reported operating income of $44.7 million for the first nine months of 2019, a 46% decline from $82.5 million for the first nine months of 2018.

A summary of Kaplan's operating results is as follows:

(in thousands)	Three Months Ended September 30 2019	2018	% Change	Nine Months Ended September 30 2019	2018	% Change
Revenue						
Kaplan international	**$ 178,169**	$ 167,668	6	**$ 552,505**	$ 535,553	3
Higher education	**78,712**	89,269	(12)	**237,780**	275,080	(14)
Test preparation	**64,710**	67,749	(4)	**191,533**	195,504	(2)
Professional (U.S.)	**33,820**	34,302	(1)	**110,181**	98,715	12
Kaplan corporate and other	**2,450**	143	—	**7,121**	870	—
Intersegment elimination	**(542)**	(530)	—	**(1,584)**	(1,617)	—
	$ 357,319	$ 358,601	0	**$ 1,097,536**	$ 1,104,105	(1)
Operating Income (Loss)						
Kaplan international	**$ (14,226)**	$ 8,375	—	**$ 35,596**	$ 52,966	(33)
Higher education	**5,177**	6,042	(14)	**9,813**	18,616	(47)
Test preparation	**4,959**	10,572	(53)	**8,794**	17,213	(49)
Professional (U.S.)	**4,939**	6,768	(27)	**20,943**	20,863	0
Kaplan corporate and other	**(4,067)**	(6,770)	40	**(18,824)**	(21,616)	13
Amortization of intangible assets	**(3,944)**	(2,682)	(47)	**(10,888)**	(5,494)	(98)
Impairment of long-lived assets	**—**	—	—	**(693)**	—	—
Intersegment elimination	**1**	(43)	—	**(2)**	(32)	—
	$ (7,161)	$ 22,262	—	**$ 44,739**	$ 82,516	(46)

Kaplan International includes English-language programs, and postsecondary education and professional training businesses largely outside the United States. In July 2019, Kaplan acquired Heverald, the owner of ESL Education, Europe's largest language-travel agency and Alpadia, a chain of German and French language schools and junior summer camps. Kaplan International revenue increased 6% and 3% for the third quarter and first nine months of 2019, respectively. On a constant currency basis, revenue increased 13% and 8% for the third quarter and first nine months of 2019, respectively. The revenue increases were due to growth at UK Pathways, UK Professional and Australia, and from the Heverald acquisition. Kaplan International reported an operating loss of $14.2 million in the third quarter of 2019, compared to operating income of $8.4 million in the third quarter of 2018. Operating income decreased to $35.6 million in the first nine months of 2019, compared to $53.0 million in the first nine months of 2018. The decline in operating results in 2019 is due to the VAT provision recorded at UK Pathways and a decline in Singapore, offset by increases at UK Professional and Australia.

In 2017, HMRC raised assessments against Kaplan UK Pathways for VAT relating to 2014 to 2017, which were paid by Kaplan. Kaplan challenged these assessments and the Company believes it has met all requirements under UK VAT law and is entitled to recover the £17.3 million receivable from assessments and subsequent payments through September 30, 2019. Due to recent developments in the case, in the third quarter of 2019, the Company recorded a full provision of £17.3 million ($21.0 million) against this receivable; of this amount, £14.1 million ($17.1 million) relates to years 2014 to 2018. The Company estimates total additional annual VAT expense at the UK Pathways business of approximately $6.0 million related to this matter for 2019. If the Company ultimately prevails in this case, the provision will be reversed and a pre-tax credit will be recorded in the Company's Consolidated Statement of Operations. The result of the case is expected to be known by the end of 2020.

Prior to the KU Transaction closing on March 22, 2018, Higher Education included Kaplan's domestic postsecondary education businesses, made up of fixed-facility colleges and online postsecondary and career programs. Following the KU Transaction closing, the Higher Education division includes the results as a service provider to higher education institutions. In the third quarter and first nine months of 2019, Higher Education revenue was down 12% and 14%, respectively, due to the KU Transaction. In the first nine months of 2019, the Company recorded a portion of the service fee with Purdue Global based on an assessment of its collectability under the TOSA. This resulted in a decline in Higher Education results for the first nine months of 2019, as the Company recorded the full service fee for Purdue Global for the first six months of 2018, and a portion of the service fee for the third quarter of 2018. Following the transition from KU, Purdue Global launched a planned marketing campaign to fully establish its new brand. This significant marketing spend, which the Company supports, impacts the cash generated by Purdue Global and its current ability to fully pay the KHE service fee under the TOSA. The Company will continue to assess the collectability of the service fee with Purdue Global on a quarterly basis to make a determination as to whether to record all or part of the service fee in the future and whether to make adjustments to service fee amounts recognized in earlier periods.

As of September 30, 2019, Kaplan had a total outstanding accounts receivable balance of $72.3 million from Purdue Global related to amounts due for reimbursements for services and a deferred service fee. In addition, Kaplan has a $20.0 million long-term receivable balance due from Purdue Global at September 30, 2019, related to the initial KU Transaction.

Kaplan Test Preparation (KTP) includes Kaplan's standardized test preparation programs. In September 2018, KTP acquired the test preparation and study guide assets of Barron's Educational Series, a New York-based education publishing company. KTP revenue decreased 4% and 2% for the third quarter and first nine months of 2019, respectively. Excluding revenue from the Barron's acquisition, revenues were down 11% and 9%, respectively, due to declines in KTP's retail comprehensive test preparation programs. KTP operating results declined 53% and 49% in the third quarter and first nine months of 2019, respectively, due primarily to revenue declines for retail comprehensive test preparation programs. Operating losses for the new economy skills training programs were $3.2 million and $2.8 million for each of the first nine months of 2019 and 2018, respectively.

In the second quarter of 2019, the Company approved a SIP to reduce the number of employees at KTP and Higher Education. In connection with the SIP, the Company recorded $6.6 million in non-operating pension expense in the second quarter of 2019.

Kaplan Professional (U.S.) includes the domestic professional and other continuing education businesses. Kaplan Professional (U.S.) revenue in the third quarter of 2019 declined 1% due to declines in CFA, real estate and accountancy programs. In the first nine months of 2019, Kaplan Professional (U.S.) revenue increased 12%, due to the May 2018 acquisition of Professional Publications, Inc. (PPI), an independent publisher of professional licensing exam review materials that provides engineering, surveying, architecture, and interior design licensure exam review products, and the July 2018 acquisition of College for Financial Planning (CFFP), a provider of financial education and training to individuals through programs of study for professionals pursuing a career in Financial Planning. Kaplan Professional (U.S.) operating results declined in the third quarter of 2019, primarily due to lower demand for real estate and accountancy programs and increased spending for sales and marketing. Kaplan Professional (U.S) operating results were flat for the first nine months of 2019, due to increased earnings at PPI and CFFP, offset by increased sales and marketing expenses.

Kaplan corporate and other represents unallocated expenses of Kaplan, Inc.'s corporate office, other minor businesses and certain shared activities. Overall, Kaplan corporate and other expenses declined in 2019 due to lower incentive compensation costs.

Television Broadcasting

	Three Months Ended September 30			**Nine Months Ended September 30**		
(in thousands)	**2019**	2018	% Change	**2019**	2018	% Change
Revenue	**$ 115,161**	$ 130,014	(11)	**$ 340,012**	$ 352,902	(4)
Operating Income	**36,813**	55,453	(34)	**116,847**	137,113	(15)

Revenue at the television broadcasting division declined 11% to $115.2 million in the third quarter of 2019, from $130.0 million in the same period of 2018. The revenue decrease is due to a $19.9 million decrease in political advertising revenue, slightly offset by a $3.1 million increase in retransmission revenues. In the third quarter of 2019 and 2018, the television broadcasting division recorded $1.1 million and $1.0 million, respectively, in reductions to operating expenses related to property, plant and equipment gains due to new equipment received at no cost in connection with the spectrum repacking mandate of the FCC. Operating income for the third quarter of 2019 decreased 34% to $36.8 million, from $55.5 million in the same period of 2018, due to lower revenues and higher network fees.

Revenue at the television broadcasting division declined 4% to $340.0 million in the first nine months of 2019, from $352.9 million in the same period of 2018. The revenue decrease is due primarily to a $25.0 million decrease in political advertising revenue, an $8.6 million decrease in 2018 incremental winter Olympics-related advertising revenue at the Company's NBC stations; partially offset by $17.5 million in higher retransmission revenues. In the first nine months of 2019 and 2018, the television broadcasting division recorded $10.7 million and $2.1 million, respectively, in reductions to operating expenses related to non-cash property, plant and equipment gains due to new equipment received at no cost in connection with the spectrum repacking mandate of the FCC. Operating income for the first nine months of 2019 decreased 15% to $116.8 million from $137.1 million in the same period of 2018, due to lower revenues and higher network fees, partially offset by increased property, plant and equipment gains.

In March 2019, the Company's television station in Orlando (WKMG) entered into a new network affiliation agreement with CBS that covers the period April 7, 2019 through June 30, 2022.

In October 2019, the Company's television stations in Houston (KPRC), Detroit (WDIV) and Roanoke (WSLS) have entered into a new three-year NBC Affiliation Agreement effective January 1, 2020 through December 31, 2022.

Manufacturing

(in thousands)	Three Months Ended September 30 2019	2018	% Change	Nine Months Ended September 30 2019	2018	% Change
Revenue	**$ 111,676**	$ 126,028	(11)	**$ 341,706**	$ 369,896	(8)
Operating Income	**6,845**	5,146	33	**14,811**	22,439	(34)

Manufacturing includes four businesses: Hoover, a supplier of pressure impregnated kiln-dried lumber and plywood products for fire retardant and preservative applications; Dekko, a manufacturer of electrical workspace solutions, architectural lighting and electrical components and assemblies; Joyce/Dayton, a manufacturer of screw jacks and other linear motion systems; and Forney, a global supplier of products and systems that control and monitor combustion processes in electric utility and industrial applications. In July 2018, Dekko acquired Furnlite, Inc., a Fallston, NC-based manufacturer of power and data solutions for the hospitality and residential furniture industry.

Manufacturing revenues declined 11% and 8% in the third quarter and first nine months of 2019, respectively, due primarily to a decline at Hoover from lower wood prices, partially offset by increases due to the Furnlite acquisition. Manufacturing operating income increased in the third quarter of 2019, due partly to improved results at Hoover from losses on inventory sales in the third quarter of 2018. Operating income declined in the first nine months of 2019 due largely to increased labor and other operating costs at Hoover.

In connection with the Company's annual impairment testing in 2018, the Company performed a quantitative goodwill impairment process at all of its reporting units. At the time, the estimated fair value of three reporting units at the manufacturing businesses exceeded their respective carrying values by a margin less than 25%. The total goodwill at these three reporting units was $226.6 million as of September 30, 2019, or 17% of the total goodwill of the Company. There exists a reasonable possibility that a decrease in the assumed projected cash flows or long-term growth rate, or an increase in the discount rate assumption used in the discounted cash flow model of these reporting units, could result in an impairment charge.

Healthcare

(in thousands)	Three Months Ended September 30 2019	2018	% Change	Nine Months Ended September 30 2019	2018	% Change
Revenue	**$ 40,688**	$ 35,486	15	**$ 119,057**	$ 111,315	7
Operating Income (Loss)	**1,208**	(8,702)	—	**6,135**	(9,329)	—

The Graham Healthcare Group (GHG) provides home health and hospice services in three states. Healthcare revenues increased in the first nine months of 2019, largely due to growth in home health and hospice services. The improvement in GHG operating results in 2019 is due to increased revenues and the absence of integration costs and other overall cost reduction in the first nine months of 2019. In the third quarter of 2018, GHG recorded a $7.9 million intangible asset impairment charge related to the Celtic trademark, which was phased-out in the second half of 2018.

SocialCode

(in thousands)	Three Months Ended September 30 2019	2018	% Change	Nine Months Ended September 30 2019	2018	% Change
Revenue	**$ 15,975**	$ 13,781	16	**$ 45,804**	$ 41,850	9
Operating Income (Loss)	**(378)**	5,124	—	**(5,371)**	(399)	—

SocialCode is a provider of marketing solutions managing data, creative, media and marketplaces to accelerate client growth. In the third quarter of 2018, SocialCode acquired Marketplace Strategy, a Cleveland-based Amazon sales acceleration agency. SocialCode's revenue increased 16% and 9% in the third quarter and first nine months of 2019, respectively. SocialCode reported operating losses of $0.4 million and $5.4 million in the third quarter and first nine months of 2019, respectively, compared to operating income of $5.1 million and an operating loss of $0.4 million in the third quarter and first nine months of 2018, respectively. The 2018 results include a $7.5 million and $7.2 million credit related to SocialCode's phantom equity plans in the third quarter and first nine months of 2018, respectively.

Other Businesses

On July 31, 2019, the Company acquired CRG. CRG owns and operates thirteen restaurants and entertainment venues in the Washington, DC metropolitan area, including Old Ebbitt Grill and The Hamilton, two of the top twenty

highest grossing independent restaurants in the United States. CRG is managed by its existing management team as a wholly-owned subsidiary of the Company.

On January 31, 2019, the Company acquired two automotive dealerships, Lexus of Rockville and Honda of Tysons Corner, from Sonic Automotive. The Company also announced it had entered into an agreement with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships. Mr. Ourisman and his team of industry professionals operate and manage the dealerships. Graham Holdings Company holds a 90% stake.

Revenues from other businesses increased due mostly to the automotive dealership and CRG acquisitions.

Other businesses also includes Slate and Foreign Policy, which publish online and print magazines and websites; and three investment stage businesses, Megaphone, Pinna and CyberVista. Megaphone, Slate and CyberVista reported revenue increases in the first nine months of 2019. Losses from each of these five businesses in the first nine months of 2019 adversely affected operating results.

Corporate Office

Corporate office includes the expenses of the Company's corporate office and certain continuing obligations related to prior business dispositions.

Equity in Earnings of Affiliates

At September 30, 2019, the Company held an approximate 11% interest in Intersection Holdings, LLC, a company that provides digital marketing and advertising services and products for cities, transit systems, airports, and other public and private spaces. The Company also holds interests in a number of home health and hospice joint ventures, and several other affiliates. The Company recorded equity in earnings of affiliates of $4.7 million for the third quarter of 2019, compared to $9.5 million for the third quarter of 2018. The Company recorded equity in earnings of affiliates of $7.8 million for the first nine months of 2019, compared to $13.0 million for the first nine months of 2018. In the third quarter of 2018, the Company recorded $7.9 million in gains in equity in earnings of affiliates related to two of its investments.

Net Interest Expense, Debt Extinguishment Costs and Related Balances

In connection with the auto dealership acquisition that closed on January 31, 2019, a subsidiary of the Company borrowed $30 million to finance a portion of the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum. The subsidiary is required to repay the loan over a 10-year period by making monthly installment payments.

On May 30, 2018, the Company issued 5.75% unsecured eight-year fixed-rate notes due June 1, 2026. Interest is payable semi-annually on June 1 and December 1. On June 29, 2018, the Company used the net proceeds from the sale of the notes and other cash to repay $400 million of 7.25% notes that were due February 1, 2019. The Company incurred $11.4 million in debt extinguishment costs related to the early termination of the 7.25% notes.

The Company incurred net interest expense of $5.3 million and $17.8 million for the third quarter and first nine months of 2019, respectively, compared to $5.5 million and $27.5 million for the third quarter and first nine months of 2018, respectively. The Company incurred $6.2 million in interest expense related to the mandatorily redeemable noncontrolling interest at the Graham Healthcare Group settled in the second quarter of 2018. The higher interest expense in 2018 is also due to both the $400 million eight-year and ten-year notes outstanding for the month of June 2018.

At September 30, 2019, the Company had $502.2 million in borrowings outstanding at an average interest rate of 5.1% and cash, marketable equity securities and other investments of $711.6 million.

Non-operating Pension and Postretirement Benefit Income, net

The Company recorded net non-operating pension and postretirement benefit income of $19.6 million and $51.7 million for the third quarter and first nine months of 2019, respectively, compared to $22.2 million and $66.6 million for the third quarter and first nine months of 2018, respectively.

In the second quarter of 2019, the Company recorded $6.6 million in expenses related to a non-operating SIP at the education division.

Gain on Marketable Equity Securities, net

Overall, the Company recognized $17.4 million and $49.3 million in net gains on marketable equity securities in the third quarter and first nine months of 2019, respectively, compared to $45.0 million and $28.3 million in net gains on marketable equity securities in the third quarter and first nine months of 2018, respectively.

Other Non-Operating Income

The Company recorded total other non-operating income, net, of $5.6 million for the third quarter of 2019, compared to $3.1 million for the third quarter of 2018. The 2019 amounts included $3.7 million in fair value increases on cost method investments; $0.7 million in foreign currency gains; and other items. The 2018 amounts included $8.5 million in fair value increases on cost method investments and other items, partially offset by a $3.3 million net loss related to sales of businesses and contingent consideration; a $2.5 million impairment of a cost method investment; and $0.1 million in foreign currency losses.

The Company recorded total other non-operating income, net, of $36.1 million for the first nine months of 2019 compared to $14.7 million for the first nine months of 2018. The 2019 amounts included a $29.0 million gain on the sale of the Company's interest in Gimlet Media; $5.1 million in fair value increases on cost method investments; $1.3 million in foreign currency gains and other items. The 2018 amounts include $8.5 million in fair value increases on cost method investments; $4.0 million net gain related to sales of businesses and contingent consideration; a $2.8 million gain on sale of a cost method investment; a $2.5 million gain on sale of land; and other items, partially offset by a $2.5 million impairment of a cost method investment and $2.2 million in foreign currency losses.

Provision for Income Taxes

The Company's effective tax rate for the first nine months of 2019 was 24.7%. In the first quarter of 2019, the Company recorded income tax benefits related to stock compensation of $1.7 million.

The Company's effective tax rate for the first nine months of 2018 was 15.6%. In the third quarter of 2018, the Company recorded a $17.8 million deferred state tax benefit related to the release of valuation allowances. Excluding this $17.8 million benefit and a $1.8 million income tax benefit related to stock compensation recorded in the first quarter of 2018, the overall income tax rate for the first nine months of 2018 was 23.3%.

Earnings Per Share

The calculation of diluted earnings per share for the third quarter and first nine months of 2019 was based on 5,328,855 and 5,327,865 weighted average shares outstanding, compared to 5,336,612 and 5,390,049 for the third quarter and first nine months of 2018. At September 30, 2019, there were 5,314,386 shares outstanding. On November 9, 2017, the Board of Directors authorized the Company to acquire up to 500,000 shares of its Class B common stock; the Company has remaining authorization for 273,655 shares as of September 30, 2019.

Financial Condition: Capital Resources and Liquidity

Acquisitions and Dispositions of Businesses and Other Transactions

Acquisitions. In the first nine months of 2019, the Company acquired seven businesses; one in education, two in healthcare, one in manufacturing, and three in other businesses for $191.6 million in cash and contingent consideration and the assumption of $25.8 million in floor plan payables.

On January 31, 2019, the Company acquired an interest in two automotive dealerships for cash and the assumption of floor plan payables. In connection with the acquisition, the automotive subsidiary of the Company borrowed $30 million to finance the acquisition and entered into an interest rate swap to fix the interest rate on the debt at 4.7% per annum. The Company has a 90% interest in the automotive subsidiary. The Company also entered into a management services agreement with an entity affiliated with Christopher J. Ourisman, a member of the Ourisman Automotive Group family of dealerships. Mr. Ourisman and his team will operate and manage the dealerships. In addition, the Company advanced $3.5 million to the minority shareholder, an entity controlled by Mr. Ourisman, at an interest rate of 6% per annum. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In July 2019, Graham Healthcare Group (GHG) acquired an interest in a small business which is expected to provide certain strategic benefits in the future and is included in healthcare. On July 11, 2019, Kaplan acquired Heverald, the owner of ESL Education, Europe's largest language-travel agency and Alpadia, a chain of German and French language schools and junior summer camps. The acquisition is expected to provide synergies within Kaplan's International English business and is included in its international division.

On July 31, 2019, the Company announced the closing of its acquisition of Clyde's Restaurant Group (CRG). CRG owns and operates 13 restaurants and entertainment venues in the Washington, DC metropolitan area, including Old Ebbitt Grill and The Hamilton, two of the top 20 highest grossing independent restaurants in the United States. CRG is managed by its existing management team as a wholly-owned subsidiary of the Company. The acquisition is expected to provide benefits in the future by diversifying the Company's business operations and is included in other businesses.

In September 2019, Joyce/Dayton Corp. acquired the assets of a small business. The acquisition is expected to complement current product offerings and is included in manufacturing.

During 2018, the Company acquired eight businesses, five in education, one in manufacturing, one in healthcare, and one in SocialCode for $121.1 million in cash and contingent consideration. The assets and liabilities of the companies acquired were recorded at their estimated fair values at the date of acquisition.

In January and February 2018, Kaplan acquired the assets of i-Human Patients, Inc., a provider of cloud-based, interactive patient encounter simulations for medical and nursing professionals and educators, and another small business in test preparation and international, respectively. These acquisitions are expected to provide strategic benefits in the future.

In May 2018, Kaplan acquired a 100% interest in Professional Publications, Inc. (PPI), an independent publisher of professional licensing exam review materials and engineering, surveying, architecture, and interior design licensure exam review, by purchasing all of its issued and outstanding shares. This acquisition is expected to provide certain strategic benefits in the future. This acquisition is included in Professional (U.S.).

On July 12, 2018, Kaplan acquired 100% of the issued and outstanding shares of the College for Financial Planning (CFFP), a provider of financial education and training to individuals pursuing the Certified Financial Planner certification, a Master of Science in Personal Financial Planning, or a Master of Science in Finance. The acquisition is expected to expand Kaplan's financial education product offerings and is included in Professional (U.S.).

On July 31, 2018, Dekko acquired 100% of the issued and outstanding shares of Furnlite, Inc., a Fallston, NC-based manufacturer of power and data solutions for the hospitality and residential furniture industries. Dekko's primary reasons for the acquisition are to complement existing product offerings and to provide potential synergies across the businesses. The acquisition is included in manufacturing.

In August 2018, SocialCode acquired 100% of the membership interests of Marketplace Strategy (MPS), a Cleveland-based digital marketing agency that provides strategy consulting, optimization services, advertising management and creative solutions on online marketplaces including Amazon. SocialCode's primary reason for the acquisition is to expand its platform offerings.

In September 2018, GHG acquired the assets of a small business and Kaplan acquired the test preparation and study guide assets of Barron's Educational Series, a New York-based education publishing company. The acquisitions are expected to complement the healthcare and test preparation services currently offered by GHG and Kaplan, respectively. GHG is included in the healthcare division. The Barron's Educational Series acquisition is included in test preparation.

Kaplan University Transaction. On March 22, 2018, the Company closed on the Kaplan University (KU) transaction and recorded a pre-tax gain of $4.3 million in the first quarter of 2018. For financial reporting purposes, Kaplan may receive payment of additional consideration related to the sale of the institutional assets as part of its fee to the extent there are sufficient revenues available after paying all amounts required by the Transition and Operations Support Agreement (TOSA). The Company did not recognize any contingent consideration as part of the initial disposition. The Company recorded a $0.5 million contingent consideration gain in each of the three months ended September 30, 2019 and September 30, 2018. In the nine months ended September 30, 2019 and September 30, 2018, the Company recorded a $0.9 million and $1.9 million contingent consideration gain, respectively.

Sale of Businesses. In February 2018, Kaplan completed the sale of a small business which was included in Test Preparation. In September 2018, Kaplan Australia completed the sale of a small business which was included in Kaplan International. As a result of these sales, the Company reported gains in other non-operating income.

Other Transactions. In March 2019, a Hoover minority shareholder put some of his shares to the Company, which had a redemption value of $0.6 million. Following the redemption, the Company owns 98.01% of Hoover. In June 2018, the Company incurred $6.2 million of interest expense related to the mandatorily redeemable noncontrolling interest redemption settlement at GHG. The mandatorily redeemable noncontrolling interest was redeemed and paid in July 2018.

Capital Expenditures

During the first nine months of 2019, the Company's capital expenditures totaled $73.3 million. This amount includes assets acquired during the year, whereas the amounts reflected in the Company's Condensed Consolidated Statements of Cash Flows are based on cash payments made during the relevant periods. The Company estimates that its capital expenditures will be in the range of $90 million to $100 million in 2019. This includes amounts for constructing an academic and student residential facility in connection with Kaplan's Pathways program in Liverpool, U.K. This also includes capital expenditures in connection with spectrum repacking at the Company's television stations in Detroit, MI, Jacksonville, FL, and Roanoke, VA, as mandated by the FCC; these expenditures are expected to be largely reimbursed to the Company by the FCC.

Liquidity

The Company's borrowings were $502.2 million and $477.1 million, at September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019, there was $5.0 million outstanding under the Company's revolving credit facility at an interest rate of 5.5%; this was fully repaid on October 1, 2019.

At September 30, 2019, the Company had cash and cash equivalents, restricted cash and investments in marketable securities and other investments totaling $711.6 million, compared with $778.7 million at December 31, 2018. At September 30, 2019, the Company held approximately $130 million in cash and cash equivalents in businesses domiciled outside the U.S., of which approximately $8 million is not available for immediate use in operations or for distribution. Additionally, Kaplan's business operations outside the U.S. retain cash balances to support ongoing working capital requirements, capital expenditures, and regulatory requirements. As a result, the Company considers a significant portion of the cash and cash equivalents balance held outside the U.S. as not readily available for use in U.S. operations.

The Company's net cash provided by operating activities, as reported in the Company's Condensed Consolidated Statements of Cash Flows, was $72.3 million for the first nine months of 2019, compared to $191.9 million for the first nine months of 2018. The decrease is due to changes in working capital and an increase in incentive compensation payments.

On January 31, 2019, the Company's automotive subsidiary entered into a Commercial Note with SunTrust Bank in an aggregate principal amount of $30 million. The Commercial Note is payable over a 10 year period in monthly installments of $0.25 million, plus accrued and unpaid interest, due on the first of each month, with a final payment on January 31, 2029. The Commercial Note bears interest at LIBOR plus an applicable interest rate of 1.75% or 2.00% per annum, in each case determined on a quarterly basis based upon the automotive subsidiary's Adjusted Leverage Ratio. The Commercial Note contains terms and conditions, including remedies in the event of a default by the automotive subsidiary. On the same date, the Company's automotive subsidiary entered into an interest rate swap agreement with a total notional value of $30 million and a maturity date of January 31, 2029. The interest rate swap agreement will pay the automotive subsidiary variable interest on the $30 million notional amount at the one-month LIBOR, and the automotive subsidiary will pay counterparties a fixed rate of 2.7%, effectively resulting in a total fixed interest rate of 4.7% on the outstanding borrowings at the current applicable margin of 2.0%. The interest rate swap agreement was entered into to convert the variable rate borrowing under the Commercial Note into a fixed rate borrowing. Based on the terms of the interest rate swap agreement and the underlying borrowing, the interest rate swap was determined to be effective and thus qualifies as a cash flow hedge. As such, changes in the fair value of the interest rate swap are recorded in other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows.

The Company finances all new vehicle inventory through a standardized floor plan facility (the "floor plan facility") with SunTrust Bank. The new vehicle floor plan facility bears interest at variable rates that are based on LIBOR plus 1.15% per annum. The weighted average interest rate for the floor plan facility was 3.4% for both the three and nine months ended September 30, 2019. As of September 30, 2019, the aggregate capacity under the floor plan facility was $50 million, of which $40.9 million had been utilized, and is included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet.

The floor plan facility is collateralized by vehicle inventory and other assets of the relevant dealership subsidiary, and contains a number of covenants, including, among others, covenants restricting the dealership subsidiary with respect to the creation of liens and changes in ownership, officers and key management personnel.

On May 30, 2018, the Company issued $400 million senior unsecured fixed-rate notes due June 1, 2026 (the Notes). The Notes are guaranteed, jointly and severally, on a senior unsecured basis, by certain of the Company's existing and future domestic subsidiaries, as described in the terms of the indenture, dated as of May 30, 2018 (the Indenture). The Notes have a coupon rate of 5.75% per annum, payable semi-annually on June 1 and December 1. The Company may redeem the Notes in whole or in part at any time at the respective redemption prices described in the Indenture.

On June 29, 2018, the Company used the net proceeds from the sale of the Notes, together with cash on hand, to redeem the $400 million of 7.25% notes due February 1, 2019. The Company incurred $11.4 million in debt extinguishment costs in relation to the early termination of the 7.25% notes.

In combination with the issuance of the Notes, the Company and certain of the Company's domestic subsidiaries named therein as guarantors entered into an amended and restated credit agreement providing for a U.S. $300 million five-year revolving credit facility (the Revolving Credit Facility) with each of the lenders party thereto, certain of the Company's foreign subsidiaries from time to time party thereto as foreign borrowers, Wells Fargo Bank, N.A., as Administrative Agent (Wells Fargo), JPMorgan Chase Bank, N.A., as Syndication Agent, and HSBC Bank USA, N.A. and Bank of America, N.A. as Documentation Agents (the Amended and Restated Credit Agreement), which amends and restates the Company's existing Five Year Credit Agreement, dated as of June 29, 2015, among the Company, certain of its domestic subsidiaries as guarantors, the several lenders from time to time party thereto, Wells Fargo Bank, N.A., as Administrative Agent and JPMorgan Chase Bank, N.A., as Syndication Agent (the Existing Credit Agreement). The Amended and Restated Credit Agreement amends the Existing Credit Agreement to (i) extend the maturity of the Revolving Credit Facility to May 30, 2023, unless the Company and the lenders agree to further extend the term, (ii) increase the aggregate principal amount of the Revolving Credit Facility to U.S. $300 million, consisting of a U.S. Dollar tranche of U.S. $200 million for borrowings in U.S. Dollars and a multicurrency tranche equivalent to U.S. $100 million for borrowings in U.S. Dollars and certain foreign currencies, (iii) provide for borrowings under the Revolving Credit Facility in U.S. Dollars and certain other foreign currencies specified in the Amended and Restated Credit Agreement, (iv) permit certain foreign subsidiaries of the Company to be added to the Amended and Restated Credit Agreement as foreign borrowers thereunder and (v) effect certain other modifications to the Existing Credit Agreement.

Under the Amended and Restated Credit Agreement, the Company is required to pay a commitment fee on a quarterly basis, based on the Company's leverage ratio, of between 0.15% and 0.25% of the amount of the average daily unused portion of the Revolving Credit Facility. Any borrowings under the Amended and Restated Credit Agreement are made on an unsecured basis and bear interest at the Company's option, either at (a) a fluctuating interest rate equal to the highest of Wells Fargo's prime rate, 0.5 percent above the Federal funds rate or the one-month Eurodollar rate plus 1%, or (b) the Eurodollar rate for the applicable currency and interest period as defined in the Amended and Restated Credit Agreement, which is generally a periodic rate equal to LIBOR, CDOR, BBSY or SOR, as applicable, in the case of each of clauses (a) and (b) plus an applicable margin that depends on the Company's consolidated debt to consolidated adjusted EBITDA (as determined pursuant to the Amended and Restated Credit Agreement, Total Net Leverage Ratio). The Company and its foreign subsidiaries may draw on the Revolving Credit Facility for general corporate purposes. Any outstanding borrowings must be repaid on or prior to the final termination date. The Amended and Restated Credit Agreement contains terms and conditions, including remedies in the event of a default by the Company, typical of facilities of this type and requires the Company to maintain a Total Net Leverage Ratio of not greater than 3.5 to 1.0 and a consolidated interest coverage ratio of at least 3.5 to 1.0 based upon the ratio of consolidated adjusted EBITDA to consolidated interest expense as determined pursuant to the Amended and Restated Credit Agreement.

On May 21, 2018, Moody's affirmed the Company's credit ratings, but revised the outlook from Negative to Stable.

The Company's current credit ratings are as follows:

	Moody's	**Standard & Poor's**
Long-term	Ba1	BB+

At September 30, 2019 and December 31, 2018, the Company had working capital of $545.3 million and $720.2 million, respectively. The Company maintains working capital levels consistent with its underlying business requirements and consistently generates cash from operations in excess of required interest or principal payments. The Company expects to fund its estimated capital needs primarily through existing cash balances and internally generated funds. In management's opinion, the Company will have sufficient liquidity to meet its various cash needs within the next 12 months.

The Company adopted the new lease accounting guidance on January 1, 2019 and recognized right-of-use assets of $369.3 million and lease liabilities of $418.3 million. Please refer to Note 1 - Organization, Basis of Presentation and Recent Accounting Pronouncements and Note 6 - Leases for further discussion of the new lease accounting guidance.

There were no other significant changes to the Company's contractual obligations or other commercial commitments from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.

Forward-Looking Statements

This report contains certain forward-looking statements that are based largely on the Company’s current expectations. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. For more information about these forward-looking statements and related risks, please refer to the section titled “Forward-Looking Statements” in Part I of the Company’s Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company is exposed to market risk in the normal course of its business due primarily to its ownership of marketable equity securities, which are subject to equity price risk; to its borrowing and cash-management activities, which are subject to interest rate risk; and to its foreign business operations, which are subject to foreign exchange rate risk. The Company’s market risk disclosures set forth in its 2018 Annual Report filed on Form 10-K have not otherwise changed significantly.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was performed by the Company’s management, with the participation of the Company’s Chief Executive Officer (the Company’s principal executive officer) and the Company’s Chief Financial Officer (the Company’s principal financial officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of September 30, 2019. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures, as designed and implemented, are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

The Company faces a number of significant risks and uncertainties in connection with its operations. If any of the events or developments described below occurs, it could have a material adverse effect on the Company's business, financial condition or results of operations.

Other than as subsequently discussed, there have been no material changes to the Risk Factors disclosed in our 2018 Form 10-K.

- **Regulatory Changes and Developments Could Negatively Impact Kaplan's Results of Operations.**

Any legislative, regulatory or other development that has the effect of materially reducing the amount of Title IV financial assistance or other federal, state or private financial assistance available to the students of Purdue Global or any other client institution could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that has the effect of making the terms on which Title IV financial assistance or other financial assistance funds are available to Purdue Global's or other client institutions' students materially less attractive could have a material adverse effect on Kaplan's business and results of operations.

The laws, regulations and other requirements applicable to KHE or any KHE client institutions are subject to change and to interpretation. In addition, there are other factors related to Purdue Global's and other client institutions' compliance with federal, state and accrediting agency requirements-many of which are largely outside of Kaplan's control-that could have a material adverse effect on Purdue Global's and other client institutions' revenues and, in turn, on Kaplan's operating results including, for example:

Reduction in Title IV or other federal, state or private financial assistance: KHE receives revenue based on its agreements with client institutions and, particularly, from Purdue Global revenue under the TOSA. Purdue Global is expected to derive a significant percentage of its tuition revenues from its participation in Title IV programs. Any legislative, regulatory or other development that materially reduces the amount of Title IV, federal, state or private financial assistance available to the students of Purdue Global and other client institutions could have a material adverse effect on Kaplan's business and results of operations. In addition, any development that makes the terms of such financial assistance less attractive could have a material adverse effect on Kaplan's business and results of operations.

Compliance reviews and litigation: Institutions participating in the Title IV programs, including Purdue Global and other client institutions, are subject to program reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies, as well as annual audits by an independent certified public accountant of compliance with Title IV statutory and regulatory requirements. Purdue Global and other client institutions also may be subject to various lawsuits and claims related to a variety of matters, including, but not limited to, alleged violations of federal and state laws and accrediting agency requirements. These compliance reviews and litigation matters could extend to activities conducted by KHE on behalf of Purdue Global or other client institutions and to KHE itself as a third-party servicer subject to Title IV regulations.

Legislative and regulatory change: Congress periodically revises the Higher Education Act and other laws and enacts new laws governing the Title IV programs and annually determines the funding level for each Title IV program and may make changes in the laws at any time. The ED also may issue new regulations and guidance or change its interpretation of new regulations at any time. For example, on August 30, 2019, the ED released new final regulations impacting the ability of student borrowers to obtain discharges of their obligations to repay certain Title IV loans on loans first disbursed on or after July 1, 2020, and loans disbursed between July 1, 2017 and July 1, 2020. The new regulations expand the ability of borrowers to obtain loan discharges based on substantial misrepresentations. Application of these regulations to Purdue Global or other client institutions, could materially impact revenue and result in liabilities to the ED. In addition, application of these regulations to Kaplan for loans disbursed between July 1, 2017 and March 22, 2018, the close of the Purdue Global transaction, could result in liabilities to ED. Any action by Congress or the ED that significantly reduces funding for Title IV programs or the ability of Purdue Global or other client institutions to receive funding through these programs could reduce Purdue Global's or other client institutions' enrollments and tuition revenues and, in turn, the revenues KHE receives under the TOSA or other agreements. Any action by Congress or the ED that impacts the ability of Purdue Global or other client institutions to contract with KHE to provide bundled services in exchange for a share of tuition revenue could require KHE to modify the TOSA, other agreements and its practices and could impact the revenues KHE may receive under such agreements. Congress, the ED and other federal and state regulators may create new laws or take actions that may require Purdue Global, other client institutions or

KHE to modify practices in ways that could have a material adverse effect on Kaplan's business and results of operations.

Increased regulatory scrutiny of postsecondary education and service providers: The increased scrutiny of online schools that offer programs similar to those offered by Purdue Global or other client institutions has resulted, and may continue to result, in additional enforcement actions, investigations and lawsuits by the ED, other federal agencies, state Attorneys General and state licensing agencies. Recent enforcement actions have resulted in substantial liabilities, restrictions and sanctions and, in some cases, have led to the loss of Title IV eligibility and closure of institutions. This increased activity and other current and future activity may result in further legislation, rulemaking and other governmental actions affecting the amount of student financial assistance for which Purdue Global's or other client institutions' students are eligible, or Kaplan's participation in Title IV programs as a third-party servicer to Purdue Global or such other client institutions.

- **Compliance Reviews, Program Review, Audits and Investigations Could Result in Findings of Non-Compliance With Statutory and Regulatory Requirements and Result in Liabilities, Sanctions and Fines.**

As a third-party servicer providing financial aid services to a Title IV participating institution, KHE is subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews can result in findings of non-compliance with statutory and regulatory requirements that can, in turn, result in proceedings to impose fines, liabilities, civil or criminal penalties or other sanctions against KHE. KHE will be required, if it enters into contracts to provide financial aid services to more than one Title IV participating institution, to arrange for an independent auditor to conduct an annual Title IV compliance audit of KHE's compliance with applicable ED requirements.

Prior to the transfer of the institutional assets and operations of KU to Purdue Global, on September 3, 2015, Kaplan sold substantially all of the assets of the KHE Campuses. As part of the transaction, similar to the transfer of KU, Kaplan retained liability for the pre-sale conduct of the KHE schools. Kaplan may also have liabilities under certain lease obligations. Although Kaplan no longer owns KU or the KHE Campuses, Kaplan may be liable to the current owners of KU and the KHE Campuses, respectively, for the pre-sale conduct of the schools.

- **Changes in U.K. Tax Laws Could Have a Material Adverse Effect on KI.**

Her Majesty's Revenue and Customs (HMRC), a department of the U.K. government responsible for the collection of taxes, has raised assessments against the Kaplan U.K. Pathways business for Value Added Tax (VAT) relating to years 2014 to 2017, which have been paid by Kaplan. In September 2017, in a case captioned Kaplan International Colleges UK Limited v. The Commissioners for Her Majesty's Revenue and Customs, Kaplan challenged these assessments. The Company believes it has met all requirements under U.K. VAT law and is entitled to recover the £17.3 million receivable related to the assessments and subsequent payments that have been paid through September 30, 2019. Following a hearing held in January 2019 before the First Tier Tax Tribunal, all issues related to EU law in the case were referred to the Court of Justice of the European Union. In the third quarter of 2019, the Company has recorded a full provision of £17.3 million against this receivable due to recent developments in the case.

In a separate matter, there was a legal case awaiting judgment at the Supreme Court in the U.K. as of December 31, 2018 that could have impacted U.K. Pathways' ability to receive the benefit of an exemption from charging its students VAT on tuition fees. The case could have reversed or amended the law and guidance permitting private providers to qualify as a "college of a university" and, therefore, receive the benefit of an exemption from charging its students VAT on tuition fees. However the Supreme Court decided the case in the college's favor. The result was more favorable to private providers working in collaboration with a university than the opposing view. The Supreme Court emphasized five key tests for a private provider to satisfy so that it could exempt its services as a "college of a university", even if it did not have a constitutional link to the university. Satisfying these tests would generally show that the college had a sufficiently close relationship with the university and its activities were sufficiently integrated with the university, to constitute a "college of a university". Although the new test has now been incorporated into official HMRC guidance, it is not yet clear how HMRC will apply the Supreme Court judgment and the five key tests in practice.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Company dated November 13, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003).
3.2	Certificate of Amendment, effective November 29, 2013, to the Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's current Report on Form 8-K dated November 29, 2013).
3.3	By-Laws of the Company as amended and restated through November 29, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated November 29, 2013).
4.1	Senior Notes Indenture dated as of May 30, 2018, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 24, 2018).
4.2	Amended and Restated Five Year Credit Agreement, dated as of May 30, 2018, among the Company, and the foreign borrowers from time to time party thereto, and certain of its domestic subsidiaries as guarantors, the several lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent and JPMorgan Chase Bank, N.A., as Syndication Agent (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018).
10.1	First Amendment dated as of July 29, 2019, to the Transition and Operations Support Agreement dated March 22, 2018, by and among Kaplan Higher Education, LLC, Iowa College Acquisition, LLC and Purdue University Global, Inc. (the "First Amendment"), with The Trustees of Purdue University as a party to the First Amendment solely for the purposes of continuing to be bound by the Purdue Provisions (as defined therein). +
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer. *
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith.

\+ Select portions of this exhibit have been omitted as permitted by SEC rules regarding confidential information.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAHAM HOLDINGS COMPANY
(Registrant)

Date: October 30, 2019

/s/ Timothy J. O'Shaughnessy

Timothy J. O'Shaughnessy,
President & Chief Executive Officer
(Principal Executive Officer)

Date: October 30, 2019

/s/ Wallace R. Cooney

Wallace R. Cooney,
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

CERTAIN CONFIDENTIAL INFORMATION HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. SUCH OMITTED INFORMATION IS MARKED WITH "[***]"

FIRST AMENDMENT TO

TRANSITION AND OPERATIONS SUPPORT AGREEMENT

This First Amendment (this "**First Amendment**"), is made and entered into as of July 29, 2019 by and among Kaplan Higher Education, LLC, a Delaware limited liability company ("**KHE**"), Iowa College Acquisition, LLC, a Delaware limited liability company ("**ICA**") (KHE and ICA, collectively, "**Contributor**"), and Purdue University Global, Inc., an Indiana nonprofit public benefit corporation ("**New University**") for the purpose of amending and clarifying that certain Transition and Operations Support Agreement dated March 22, 2018 by and among the Parties (the "**TOSA**"). The Trustees of Purdue University, an Indiana body corporate that manages and conducts Purdue University, the State of Indiana's land-grant university ("**Purdue**"), joins as a Party to this First Amendment solely for the purpose of continuing to be bound by the Purdue Provisions in the TOSA, as amended hereby. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the TOSA.

RECITALS:

A. The Parties successfully closed the transactions contemplated by the Transfer Agreement concurrently with their execution and delivery of the TOSA on the Effective Date, with the effect that New University formally commenced operations shortly thereafter.
B. As memorialized in the TOSA's recitals and as reflected in its terms, the TOSA and the Transfer Agreement provided financial guarantees and priority payments to New University that entailed significant economic risk to Contributor.
C. Contributor was nonetheless willing to irrevocably transfer the Institutional Assets to New University in reliance on New University's agreement to perform pursuant to the terms of the TOSA, which provided that Contributor would be compensated, albeit on a deeply subordinated basis, in the form of a services fee for its Support Functions and deferred consideration for the Institutional Assets it transferred at closing for only $1.00.
D. For their part, Purdue and New University determined, following extensive due diligence of Contributor and its Institutional Assets, that the economic terms reflected in the TOSA represented fair market value for: (1) the Support Functions that New University would receive thereunder, (2) the Institutional Assets being contributed to New University under the Transfer Agreement, and (3) the financial guarantees provided to New University in the TOSA-a determination supported by a recognition that the total consideration payable to Contributor under the TOSA in an upside scenario is effectively capped by virtue of New University's ability to terminate after the sixth anniversary of the Effective Date.
E. In the course of obtaining regulatory approvals for the Transfer, Purdue and New University drew attention to the foregoing factors-including the deeply subordinated nature of Contributor's ability to receive any compensation under the TOSA-all of which provided New University with significant financial protection, ensured it would have the funds necessary to serve students successfully over the long term, and protected Purdue University and Indiana taxpayers from financial risk.
F. Although their intentions concerning the structure of the TOSA have, as described above, been previously articulated, the Parties desire to reflect more clearly, among other things, how compensation to be paid to Contributor under the TOSA represents both (1) a services fee for the Support Functions it is providing, and (2) deferred purchase price for the Institutional Assets it contributed to New University.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. Amendments

(a) The following definitions in Exhibit A of the TOSA are hereby changed or amended to read as follows:

1. The reference to the term "**Contributor Fee**" (as defined in Section 2 of Exhibit F) is hereby changed to a new term to be called "**Contributor Compensation**".

2. The reference to the term "**Unpaid Contributor Fee**" (as defined in Section 2 of Exhibit F) is hereby changed to a new term to be called "**Unpaid Contributor Compensation**".

3. The last sentence in the definition of "**Revenue**" or "**Revenues**" in Exhibit A is hereby amended and restated to read in its entirety as follows:

   "For purposes of this definition: (i) past practices of Contributor shall mean the applicable practices most recently applied prior to the Effective Date, and (ii) the term 'Revenue' or 'Revenues' shall under no circumstances be construed to mean the net earnings of New University, it being understood that such net earnings are represented only by the amount of the Remainder Payment, if any, determined for a designated time period."

4. A new defined term, "GDPR", is hereby added to Exhibit A to read as follows:
   "**GDPR**" has the meaning in Section 6.1."

5. The Section number referenced in the definition of "Remainder Payment" is changed from "Section 2(g) of Exhibit F" to "Section 2(i) of Exhibit F."

(b) The following definitions in Exhibit F of the TOSA are hereby changed or amended to read as follows:

1. The defined term "**Contributor Fee**" is hereby changed to "**Contributor Compensation**," [***]
3. [***] amount equal to (i) 12.5% of actual Revenues for the quarter just-ended through June 30, 2022, and thereafter 13% of actual Revenues for the quarter just-ended through the Fiscal Year ending June 30, 2027, and thereafter 12.5% of actual Revenues for the quarter just-ended for the remainder of the Term, [***]

(c) The references to "Contributor Fee" or "Contributor Fees" in the following sections shall be changed to "Contributor Compensation" each place such term appears:

1. Section 9
2. Section 11.2
3. Section 13.2 (two references)
4. Section 14.5(b)(iv)
5. Section 14.6(b)
6. Section 14.9(a)
7. Section 15 (two references)
8. Section 1(d) of Exhibit F
9. Sections 4(a)(i) and 4(a)(ii) of Exhibit F

(d) Sections 3.2(c) and 3.2(d) are hereby amended and restated to read in their entirety as follows:
"(c) Advisory Committee Activities. Subject to the ultimate authority of the New University Board of Trustees over the operation and control of New University and its policies and procedures, and without limiting the powers of New University Board of Trustees, the Advisory Committee shall meet to coordinate on developing strategies, objectives, and make recommendations to the New University executive leadership and Board of Trustees on topics or issues including:

(i) an annual plan that will include New University's key objectives and the Annual New University Budget (the "Annual Plan"), including amounts budgeted for Academic Functions and Support Functions thereunder;
(ii) the Marketing Plan to support the objectives, and in compliance with the NewU Budget, as set forth in the Annual Plan;
(iii) updating the Service Levels consistent with and in accordance with Section 2.5;

(iv) success metrics for New University and Contributor that support and track performance against the Annual Plan and the New University Budget;

(v) increase or decrease in the tuition or fees, or changes in grants or relationship discounts, for any of the Academic Programs; provided that the Parties shall develop an expedited review process for proposed discounts in connection with strategic business opportunities and will seek to develop pre-approved frameworks under which Contributor can offer discounts to secure strategic business relationships for New University;

(vi) the increase of any Cost in, or the implementation or roll out of, any Academic Programs, or the reduction or elimination of any Academic Program;

(vii) material changes to the NU Policy Guide, including policies relating to New University admissions standards, student advancement or academic term structure; and

(viii) any defense, settlement or prosecution of any legal action against or in the name of or on behalf of New University that could: (1) result in financial liability to either Party or (2) reasonably be expected to adversely affect: (A) the Support Functions, (B) the respective rights or expectations of the Parties under this Agreement, or (C) in any material respect, the tax liabilities or tax and financial reporting position of either Party.

(d) Advisory Committee Recommendations. Prior to submitting to the New University Board of Trustees for approval the Annual Plan (including the Marketing Plan and New University Budget), or any other recommendation, strategy or objective, and subject always to the authority of the New University Board of Trustees to act in the absence of a consensus proposal received from the Advisory Committee, the members of the Advisory Committee shall seek consensus among all members and will work in good faith to resolve any matter with respect to which all members of the Advisory Committee have not agreed."

(e) The first sentence of Section 11.1 is hereby amended and restated as follows:

"Payments of Contributor Compensation are exclusive of all Tax."

(f) Section 11.3 is hereby amended and restated to ready in its entirety as follows:
"11.3 Tax Treatment. The Parties intend that, for U.S. federal income tax purposes, the payment of the Contributor Compensation constitutes service fee income or deferred purchase price for the Institutional Assets, as the case may be, and they agree to treat such payments consistent with the foregoing unless required to do otherwise by a change in applicable Tax Law or pursuant to the good faith resolution of any action with an applicable Taxing Authority."

(g) Sections 2(f) through 2(h) of Exhibit F are hereby amended and restated, with a new subsection inserted thereto, such that they now read (as re-lettered) in their entirety as follows:

"(f) sixth, to Contributor, but only to the extent of Available Cash, the Contributor Services Fee for the quarter just-ended;

(g) seventh, to Contributor, but only to the extent of Available Cash, an amount of Deferred Purchase Price based upon actual Revenues of the quarter just-ended and the Contributor Services Fee payable for such quarter, plus all Unpaid Contributor Compensation up to, but not exceeding, the Compensation Accrual Cap;

(h) eighth, to Contributor, but only to the extent of Available Cash, any unpaid balance of the Immediate Advance; and

(i) finally, to New University, but only to the extent of Available Cash, all remaining funds after retention of amounts applied in respect of any remaining Excess Payments then owed by New University (a '**Remainder Payment**')."

(h) As a technical correction, the previously omitted word "with" is hereby added to Section 4.2(e) as follows: "(e) costs incurred by Contributor in connection ***with*** performing its obligations hereunder in the line item categories set forth on Exhibit E-2 (Contributor Support Cost Line Items);"

(i) Section 6.1 is hereby amended and restated to read in its entirety as follows:

"6.1 FERPA; GLB; GDPR. New University acknowledges that, in order to perform certain of the Support Functions requested under this Agreement, it will be necessary and desirable for Contributor to have Access to personally identifiable information of students and prospective students of New University, and of New University employees, that is subject to the provisions of the Family Educational Privacy & Rights Act ("FERPA"), 20 U.S.C. § 1232g, the Gramm Leach Bliley Act, 15 U.S.C. § 6801 et seq. (the "GLB"), the General Data Protection Regulations 2016/679, and its implementing regulations ("GDPR"), and/or any other applicable Laws. New University and Contributor agree to maintain and use all such information in material compliance with the requirements of all such Laws, including taking required steps to comply with the requirements of 34 C.F.R. 99.31(a)(1) with respect to information protected by FERPA that may be disclosed to a party to whom an institution has outsourced institutional services or functions."

(h) In the second sentence of the second paragraph of Section B (Compensating Contributor for Actions Taken Inconsistent with NU Policy Guide) of Exhibit D (NU Policy Guide Departures), the reference to Section 2(g) is amended to instead be a reference to Section 2(h).

SECTION 2. Limited Effect.

Except as expressly amended and modified by this First Amendment, the TOSA shall continue in full force and effect in accordance with its terms, and nothing contained in this First Amendment is intended to affect the parties' existing or continuing rights or obligations under the TOSA except as expressly modified hereby.

SECTION 3. Governing Law.

This First Amendment shall be governed by and construed in accordance with the Laws of the State of Indiana applicable to contracts executed and to be performed wholly within such State and without reference to the choice-of-law principles that would result in the application of the Laws of a different jurisdiction.

SECTION 4. Counterparts.

This First Amendment may be executed in any number of counterparts, each of which shall be considered an original but all of which, taken together, shall constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

KAPLAN HIGHER EDUCATION, LLC

by: /S/ David J. Adams

Name: David J. Adams

Title: Secretary and General Counsel

IOWA COLLEGE ACQUISITION, LLC

by: /S/ David J. Adams

Name: David J. Adams

Title: Secretary and General Counsel

PURDUE University global, INC. (f/k/a purdue newu, inc.)

by: /S/ Christopher A. Ruh

Name: Christopher A. Ruhl

Title: CFO

THE TRUSTEES OF PURDUE UNIVERSITY, solely for the purpose of continuing to be bound by the Purdue Provisions

by: /S/ Steven R. Schultz

Name: Steven R. Schultz

Title: General Counsel

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy J. O'Shaughnessy, Chief Executive Officer (principal executive officer) of Graham Holdings Company (the "Registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Timothy J. O'Shaughnessy

Timothy J. O'Shaughnessy
Chief Executive Officer
October 30, 2019

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wallace R. Cooney, Chief Financial Officer (principal financial officer) of Graham Holdings Company (the “Registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ Wallace R. Cooney

Wallace R. Cooney
Chief Financial Officer
October 30, 2019

Exhibit 32

SECTION 1350 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Holdings Company (the “Company”) on Form 10-Q for the period ended September 30, 2019 (the “Report”), Timothy J. O’Shaughnessy, Chief Executive Officer of the Company and Wallace R. Cooney, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy J. O’Shaughnessy

Timothy J. O’Shaughnessy
Chief Executive Officer
October 30, 2019

/s/ Wallace R. Cooney

Wallace R. Cooney
Chief Financial Officer
October 30, 2019